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Austria .... Sch. 28	Indonesia .. Rp 3100	Philippines . Pes. 20
Bahrain .. Din 0.650	Israel .... IS 3.50	Portugal .. Esc 100
Belgium BFr.45	Italy .... L 1600	S. Arabia .. Rls 6.00
Canada .... C$1.00	Japan Y500	Singapore . S$ 4.10
Cyprus .... C£0.75	Jordan .... Fils 500	Spain .... Pta 125
Denmark . DKr 9.00	Kuwait .... Fils 500	Sri Lanka ... Rup 30
Egypt ..... E£1.50	Lebanon . £L 50.00	Sweden .. SKr 8.00
Finland .. Fmk 7.00	Luxembourg . LFr 45	Switzerland SFr 2.20
France .. FFr. 8.50	Malaysia .. Rin 4.25	Taiwan .... NT $65
Germany . DM 2.20	Mexico .. Pes. 300	Tunisia .. Din 0.800
Greece ...... Dr 80	Morocco .. Dh 6.00	Turkey .... L 350
Hong Kong . HK$ 12	Netherlands . Fl 3.00	U.A.E. .... Dh 6.50
India ..... Rup. 15	Norway .. Nkr. 7.00	U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,175

Wednesday March 4 1987

D 8523 B

Free for all in the coffee market, Page 18

World news

Police break up Seoul protest

South Korean Government ordered 30,000 police into central Seoul to prevent about 5,000 demonstrators from holding rallies in memory of a student who died in police custody.

Police fired tear gas to disperse the protestors and there were more than 600 arrests, although there were only a few violent incidents.

Opposition leaders condemned the Government's show of force which was staged as Kim Young Sam, an opposition activist, was placed under house arrest. Page 3

UN attacks Pretoria

The United Nation Human Rights Commission condemned South Africa for "terrorism" and "aggression" and urged the world to give more help to nationalist forces attempting to overthrow the Pretoria Government. South African election, Page 3

Iran arms probe

Swedish authorities are investigating the role of past governments in illegal ammunition shipments to Iran and an arms smuggling scandal involving the country's biggest arms producer.

Gandhi criticises US

Indian Prime Minister Rajiv Gandhi indirectly attacked the US for failing to stop Pakistan's "clandestine" nuclear weapons programme and for continuing to supply it with arms and aid. Page 3

Defectors sheltered

Egypt allowed five fugitive Libyan servicemen to stay after they flew their transport aircraft to the far south of the country. The defection is likely to further strain ties between the two nations. Page 3

Italian dam inquiry

Magistrates investigating a dam burst at Stava, northern Italy, that killed 269 people in 1985, recommended that 15 people should stand trial, including the owner and employees at the dam responsible for maintenance.

Airlines face fine

Britain is to fine airlines £1,000 ($1,550) for each passenger brought into the country without a valid passport, Home Secretary Douglas Hurd told Parliament.

Moscow to lift ban

Soviet authorities will shortly allow the publication of two banned works by Alexander Solzhenitsyn on the life of Soviet dissidents, according to Sergei Zalygin, chief editor of the literary journal Novy Mir. Lenin's seal of approval, Page 2

Maputo to fight

Mozambican President Joaquim Chissano publically rejected any truce with right-wing rebels trying to topple his Marxist Government and vowed to fight "to the end."

French crime falls

France's crime rate fell 8 per cent last year, according to official government statistics. Junior Security Minister Robert Pandraud said the fall, the first in 20 years, was due to the Government's new law and order policy. Page 2

Fire on coaster

British warships stood guard by a Danish coaster the Hornestrand, carrying 400 tons of dynamite after a fire broke out on the coaster during its passage through the English Channel.

Danny Kaye dies

Danny Kaye, US entertainer who starred on screen, stage and television for more than 40 years, died in a Los Angeles hospital aged 74.

Business summary

Ford to invest $8bn in Europe

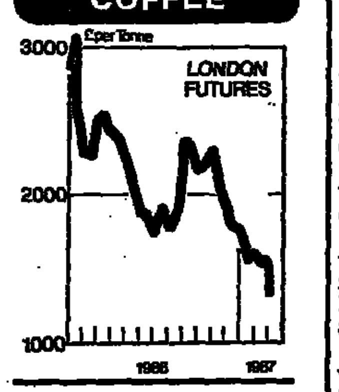
FORD, world's second largest automotive group, plans to invest $1.2bn in Europe this year followed by more than $7bn over the next five years. Page 19

WALL STREET: The Dow Jones industrial average closed up 6.05 at 2,226.52. Page 40

LONDON: More peaks were scaled as a strong rally in oils fuelled sentiment. The FT-SE 100 closed just below the 2,000 level with a 15.2 jump to a record 1,998.3 and the FT Ordinary index added 9.0 to 1,613.5, also a high. Gilts closed slightly easier. Page 40

TOKYO: Strong demand for large-capital and consumer-related stocks underpinned the third consecutive record in Tokyo trading. The Nikkei average gained 37.37 to 20,971.39. Page 40

COFFEE



COFFEE: World prices fell sharply amid expectations of a continuing free-for-all among exporters. On the London Commodity Exchange the May futures delivery price fell £186 to close at £1,313 per tonne. Page 18

DOLLAR closed in New York at DM 1.8295; SFr 1.5410; FFr 6.0895 and Y153.545. It rose in London to DM 1.8335 (DM 1.8320); to Y153.65 (Y153.45); to SFr 1.5440 (SFr 1.5415); and to FFr 6.1025 (FFr 6.0950). On Bank of England figures the dollar's exchange rate index rose from 103.8 to 104.0. Page 33

STERLING closed in New York at $1.5610. It fell in London to $1.5600 ($1.5640); to DM 2.8600 (DM 2.8650); to Y239.75 (Y240.0); to SFr 2.4075 (SFr 2.41); and to FFr 9.5200 (FFr 9.5325). The pound's exchange rate index fell 0.1 to 70.6. Page 33

GOLD fell $1 on the London bullion market to $404.00. It also fell in Zurich to $403.65 ($404.55). Page 32

MONTEDISON, Italian chemicals, health care and energy group, is to pay Pta 58bn ($453m) for Antibioticos, a leading Spanish bulk pharmaceuticals concern. Page 19

ROYAL BANK of Canada's first-quarter net earnings fell from C$140.4m (US$85.8m) to C$114.1m following a sharp decline in international income and higher loan-loss provisions. Page 19

PHARMACIA, Swedish pharmaceuticals and biotechnology group, increased its profits after financial items by 11 per cent to SKr 821m ($127m) in 1986, compared with SKr 740m the previous year. Page 19

PARGESA, Swiss holding company which forms one of the two pillars of the financial services and industrial group headed by Albert Frére and Gérard Eskenazi, increased net consolidated earnings in 1986 by 23.5 per cent to SFr 146m ($94m). Page 19

RCA Services Division, part of General Electric of the US, has been bought for £14m ($21.8m) by its UK management. Page 9

CRA, Australia's largest mining group, moved A$112.1m ($76.4m) into the red last year against profits of A$115.8m following large write-offs. Page 21

BAER HOLDING, the parent company of the Julius Baer banking group of Zurich, disclosing its earnings for the first time, reported a net profit of SFr 44.7m ($28.8m) for 1986 – a 42 per cent advance from the previous year.

Craxi resignation raises prospect of early election

BY JOHN WYLES IN ROME

MR BETTINO CRAXI, Italy's Socialist Prime Minister for the past three-and-a-half years, yesterday called for a wide-ranging reform of Italian political institutions in a resignation speech echoing the distant sounds of an election campaign.

Shortly after delivering his 20-minute valedictory to the Senate, Mr Craxi formally launched what the Italians call "The Crisis" by handing in his Government's resignation to President Francesco Cossiga. After sounding out party leaders, the President is expected towards the end of the week to ask the senior Christian Democrat, Mr Giulio Andreotti, 69, to try to form a government.

Most politicians expect the process to take at least three weeks, without any guarantee of success. If irreconcilable claims prevent the formation of a majority among the five parties which sustained Mr Craxi, then elections, which are due in 1988, would probably be brought forward to June.

Mr Craxi's term of office has coincided with a marked strengthening of the Italian economy. Growth over the past three years has been well above the EEC average with booming company profits and a two-year spree on the Milan stock exchange whose capitalisation has more than doubled in value.

However, the country still remains troubled by public sector spending deficits and inflationary pressures – quite apart from the risk of a renewed period of political instability. The five coalition parties which sustained Mr Craxi may well be unable to agree on a new Government, thus forcing elections which are due next year to be brought forward. Few Italians are confident that the current balance of power between the parties would be significantly altered.

Copies of Mr Craxi's speech were being closely scrutinised in parties' headquarters last night for possible clues as to whether he wants to force early elections.

He gave little away in an address which appeared directed at the nation as a whole. His speech sought to claim credit for the positive economic and social developments of the past three-and-a-half years and carried appropriate words of praise and concern for the poor, trade unions, women and businessmen.

Speaking around the theme "a long period of crisis is over, Italy is growing and changing," Mr Craxi said the time was now ripe for institutional reform which would bring "modernity, efficiency and transparency" to the state, the political system and public administration.

This was the clearest possible confirmation that he plans to campaign as "the great reformer" of both the constitution and society at large. Mr Craxi's own proposals call for a directly-elected Presidency and electoral law changes which would deny parliamentary representation for parties winning less than 5 per cent of the vote.

The reformist theme was maintained by contrasting growing national wealth and improving quality of life with the stubborn backwardness of southern Italy.

Craxi's brave new Italy, Page 16

US to offer terms for medium-range missile reductions

BY LIONEL BARBER IN WASHINGTON AND ROBERT MAUTHNER AND MICHAEL CASSELL IN LONDON

PRESIDENT Ronald Reagan yesterday announced that the US would submit a draft treaty on medium-range missile reductions at talks with the Soviet Union in Geneva today.

Mr Reagan, responding to last weekend's offer by the Soviet leader Mr Mikhail Gorbachev to reach a separate agreement to eliminate intermediate nuclear forces (INF) from Europe, said the Soviet move had removed "a serious obstacle" to an arms control pact.

The announcement – coupled with a strong hint from Mr George Shultz, his Secretary of State, that he will soon visit Moscow – offered fresh hope that the two powers may be on the brink of a major deal to reduce their nuclear arsenals.

Mr Reagan's brief televised appearence before the White House press corps was his first for three months and a clear attempt by the White House to show that he is back in charge following the Tower report's withering criticism of his laid-back management style.

The White House said last weekend that the US would shortly make a counter offer to Mr Gorbachev's. Mr Reagan added yesterday that he was summoning his three senior arms negotiators in Geneva back to Washington later this week for consultations so they could return to discuss in detail an IMF treaty with the Soviets.

"I hope that the Soviet Union will then proceed with us to serious discussion of details which are essential to translate areas of agreement in principle to a concrete agreement," he said.

Mr Reagan paid tribute to the Nato allies' decision to site American medium range missiles in Europe in response to the Soviet Union's earlier deployment of SS 20 missiles. He said this firmness had brought the Soviets back to the negotiating table.

The President also stressed the importance of tough verification agreements and continued consultation with Nato allies. In the run up to the Reykjavik super-powers meeting last year, when Mr Reagan and Mr Gorbachev came close to sweeping outline agreements on intermediate and strategic nuclear weapons reductions, several Nato allies felt they had been left out in the cold.

Mr Shultz told a news conference in Peking, where he is meeting Chinese leaders, that he was eager to make progress on an arms accord with Moscow. Mr Michael Armacost, a senior State Department official, is to visit Moscow shortly in what is viewed as a preparatory trip for Mr Shultz.

It is still unclear whether Mr Shultz will visit Moscow before or after Mrs Margaret Thatcher, the British Prime Minister, who is due in the Soviet Union from March 28 to April 1.

However, it is certain that the two visits will complement each other. While the outcome of last October's Reykjavik summit between President Reagan and Mr Gorbachev caused considerable dismay among Washington's European allies, Nato solidarity has since been largely restored.

Mrs Thatcher was instrumental at her Camp David meeting with President Reagan last November in persuading the US to take account of European fears that Europe would be dangerously vulnerable to Soviet attack if some of the sweeping nuclear arms reductions discussed in Reykjavik were agreed.

The accord on arms control priorities reached by Mrs Thatcher and President Reagan at Camp David has since become the joint Nato position. It comprises an INF agreement, with restraints on shorter range nuclear weapons, a 50 per cent cut over five years of US and Soviet strategic offensive weapons, a ban on chemical weapons and effective verification measures for all arms agreements.

Mrs Thatcher yesterday told the British House of Commons that she welcomed Mr Gorbachev's offer on medium-range missiles as "a useful step forward." But she left no doubt that she believed any negotiations on abolishing INF in Europe would have to be accompanied by talks on other important problems.

Of her agreement with President Reagan at Camp David, Mrs Thatcher said: "We weren't so foolish as to say it could all be sorted out with intermediate range weapons, when we knew the Soviet Union had a total preponderance of shorter range systems and those would have to be dealt with at the same time."

Claiming that Mr Gorbachev's latest offer had been prompted by "Western strength and resolve," Mrs Thatcher said strict verification arrangements and negotiations to correct the "huge imbalance" in the Soviet Union's favour in shorter range systems were absolutely vital.

The Prime Minister accused the opposition Labour Party of wanting to throw away Britain's security and she rejected suggestions by Mr Neil Kinnock, the Labour leader, that progress on disarmament would be jeopardised if the elimination of INF were made conditional on the reduction of shorter range nuclear weapons.

The roll-out in France last month of the first A-320: All Nippon Airways, the second largest Japanese carrier, yesterday signed a $1bn contract

Airbus, Boeing share $2bn deal

BY JAMES BUCHAN IN NEW YORK

AIRBUS INDUSTRIE, the European airliner manufacturing group, yesterday announced its second major order from a US airline within six months.

It is sharing a $2bn-plus order for 40 aircraft from American Airlines, with its rival, Boeing. A feature of the deal is an innovative financing package involving long-term leases.

American Airlines, the third largest US carrier, said it would buy 25 A300-600R aircraft, a modification of the original Airbus wide-bodied aircraft for which American will act as launch customer.

The order is believed to be worth about $1.25bn. Deliveries will begin next April. American is also to place an order with Boeing, for 15 of its 747-300ER type aircraft in a deal estimated at $750m.

American said it was "very, very pleased" with the financing terms which more than offset the operational burden of adding two new aircraft types to its fleet.

The aircraft are being acquired on fixed-rate, 20-year leases which American can terminate at short notice, without severe penalty.

It is not certain whether the leases, which transfer considerable financial risks to the manufacturers, will appear on American's balance sheet.

Similar terms apply to the engines, which America said it would acquire from General Electric in a $650m single-source deal.

The order, for the CF6-80C2 turbofan engine, is one of the largest for commercial aircraft engines yet placed, and can only strengthen GE's position in competition with Pratt & Whitney of the US and Rolls Royce of the UK to power the new generation of wide-bodied aircraft.

Inspite of the stiff terms negotiated, the American order is a coup for the Toulouse-based European consortium, which is controlled by French, West German, Spanish and British companies, and brings to about 90 its sales of aircraft so far this year.

Airbus has gained a stake in the US market through substantial sales of its aircraft to Eastern (34 A-300s), Pan Am (12 A-310s and 16 A-320s) and, last October, Northwest Airlines (with 100 A-320s). But American is the most ambitious and well capitalised US customer to date.

The airline said that the medium-to-long range (4,500 miles), 270-passenger airbus A-300 jets would serve a new Caribbean service based round San Juan, Puerto Rico, while the Boeing aircraft, with 215 passengers, would ply an expanded Transatlantic service.

More airline orders, Page 4

Sharp fall for US economic indicators in January

By Lionel Barber in Washington

THE LEADING US economic indicators – key pointers to the strength of the economy – plunged 1 per cent on January 1, the biggest decline in 30 months, the Commerce Department reported yesterday.

The sharp reverse is the latest in a batch of unfavourable official economic data published over the past week. Last Friday the Commerce Department reported a deterioration in the US trading position and in inflation, sparking fears that the American economy has reached a turning point.

In a keynote speech last week, Mr Wayne Angell, a member of the Federal Reserve Board, said the year ahead was likely to be "critical" for inflation following the fall in the dollar and the end of rapid declines in the oil price.

The monthly economic indicators released yesterday are far from conclusive, but a worrying sign in the January figures was a sharp fall in orders for factory equipment and a 6.8 per cent drop in sales of new homes.

Mr Robert Ortner, Chief Economist at the Commerce Department, said yesterday that, taken as a package, the figures were not good. However, he added: "We believe that extraordinary factors in January, such as the bad weather and the tax changes, were partly to blame."

Mr Malcolm Baldrige, Commerce Secretary, attempted to rally confidence and said that the "best tonic for the economy now would be a pick-up in net exports."

The problem for the Reagan Administration is that US consumers' appetites for foreign imports remain undiminished despite official exhortation and prime time advertising for a "Buy American campaign."

Last Friday the US trade deficit widened to $14.78bn in January, against an adjusted $12.73bn in December. The deterioration was due to an 11 per cent drop in US exports while imports continued at the same level as in December.

Equally disturbing was the news on inflation. The consumer price index, which had been rising modestly in the previous six months, jumped 0.7 per cent in January over December. Based on January alone, this would give an annual inflation rate of 8.8 per cent, twice the annualised rate in the previous three months.

Mr Angell's speech has been interpreted this week in Washington as a sign that the Federal Reserve is determined to hold firm against inflation

Pound's surge, Page 18

Oil groups poised to acquire debt-laden Dome Petroleum

BY BERNARD SIMON IN TORONTO

SEVERAL international oil companies are negotiating to buy Dome Petroleum, the Canadian energy producer which is struggling to survive under a C$6.4bn (US$4.8bn) debt.

According to a Canadian oil industry executive a large number of major US and European energy companies have expressed interest in buying Dome's valuable oil and gas properties in western Canada. Talks with some prospective buyers have broken off, but others are said to be proceeding, or waiting in the wings for Dome and its 56 creditors to conclude a sweeping debt restructuring plan.

The prospect of Dome making a fresh start from its crippling financial problems has been heightened by speculation that its chairman, Mr Howard MacDonald, a former Royal Dutch Shell treasurer, will soon make way for a chief executive who is more production- and exploration-oriented.

Mr MacDonald, 58, has indicated privately that he wants to return to Britain and is considering several job offers. He was hired in late 1983 to put Dome's finances on a more even keel, and apparently feels that he will have completed his assignment once the present negotiations with banks and prospective buyers are finalised.

Referring to the prospect of a takeover bid, a Dome spokesman said yesterday that for the right buyer, Dome could become an attractive property, but only after the debt restructuring agreement is signed.

The company is understood to believe that a takeover could short-circuit the restructuring plan, which is due to be put in place by June 30. The official said that details of Dome's latest debt proposals would be sent to lenders either late this week or early next week.

Dome's financial troubles began in 1982, when the steep rise in interest rates abruptly halted an ambitious acquisition spree financed by bank debt. A debt rescheduling agreement signed in February, 1985 has been overtaken by the plunge in oil and gas prices. The company suspended interest and principal payments on the bulk of its debt last summer.

Accured interest since then has pushed up its debt from about C$6bn to C$6.4bn. Net losses have soared to C$875m in the first nine months of 1986, from C$2m a year earlier. Cash balances have dropped from C$436m in January 1986 to C$160m on January 31 this year.

In spite of its difficulties, Dome remains Canada's third largest oil producer, its second biggest natural gas supplier and the country's leading marketer of natural gas liquids. It owns extensive oil and gas reserves and an innovative Arctic drilling fleet.

CONTENTS

COUNTING THE COST OF SENDING THE TROOPS TO SCHOOL

President Alan Garcia's anti-terrorist raid on Peru's universities has hardened student opposition to his regime, Page 4

West Germany reveals farm incomes rising

BY PETER BRUCE IN BONN

PROFITS AMONG West German farmers grew 2.5 per cent in 1985-86 and could rise a further 4 per cent by June, according to a Bonn government report which may make serious political dents in its own opposition to new Community farm produce and price restrictions.

Publication of the report by the Agriculture Ministry in Bonn has been delayed because it needs to be presented to the new Bundestag for approval and it only begins sitting again later this month.

Both Bonn and the farmers themselves constantly complain that the EEC's Common Agricultural Policy (CAP) has set the incomes of West German farmers in reverse. Bonn reacted vehemently last week when confronted with European Commission proposals to cut dairy output quotas and to cut some cross-border monetary compensations.

Mr Ignaz Kiechle, the Agriculture Minister, said the proposals were "a deceleration of war" on West Germany, and he threatened to block any increase in Bonn's contribution to the EEC budget if they went ahead. Earlier this year, Mr Kiechle was talking of a fall in farm incomes of around 6 per cent.

The report, however, flatly contradicts that. Even more significant, it says that small farm profits rose most of all. In West Germany, the small farms of Bavaria and Baden-Wuerttemberg are often presented by Mr Kiechle and farmers' leaders as being particularly vulnerable to the CAP.

In 1985-86, the report is understood to say, small farm incomes rose 6.4 per cent. At medium sized farms, profits rose 4.1 per cent and actually fell 1 per cent on big farms, which, according to conventional wisdom, are normally the most profitable.

Farmers account for about 10 per cent of the national vote in West Germany and are probably the single most powerful political lobby in the country. Thousands have taken part in demonstrations in the past few weeks complaining that they face financial ruin

Chancellor Helmut Kohl's government has been particularly generous to farmers, particularly ahead of state elections, and the report points out that a 4 per cent growth in income for 1986-87 depends on the Government paying out promised extra subsidies worth more than DM 1bn (£350m).

Rail spending curbs feared after loss target breached

BY DAVID MARSH IN BONN

THE West German federal railways, which turned in a larger than expected loss last year of nearly DM 3.3bn (£1.15bn), is facing a tough battle with the Bonn Government over carrying through its investment plan during the next four years.

Mr Rainer Gohlke, the board chairman at the Deutsche Bundesbahn, has run into difficulties with Bonn over winning authorisation for the DM 20bn in spending still to be carried out up to 1990 under its DM 40bn eight-year investment programme decided in 1982.

The funds are mostly earmarked for the modernisation of trunk routes and to prepare the way for a high-speed train network for the 1990s.

Mr Gohlke, a former manager at International Business Machines (IBM), who took over at the helm of the heavily indebted railways in 1982, has just been confirmed in his post by the Government for another five years.

In spite of last year's setback—when the Bundesbahn failed to meet its target of keeping losses under DM 3bn—Mr Gohlke is confident that the railway can keep losses at around DM 4bn a year up to 1990.

The Bundesbahn this month has brought in a new fares system designed to offer large savings to long-distance travellers—above all those making journeys with family and friends—in order to wean Germans away from their cars.

Last year's worse loss compared with a deficit of DM 2.9bn in 1985 and a loss of DM 4.1bn in 1982 when Mr Gohlke took over.

The deterioration was mostly because of a slide in receipts from heavy goods transport, especially coal and steel. The railways last year had to face increased competition from road transport caused by the fall in the oil price, with the structural deficit in local and commuter routes rising to about DM 3.9bn.

Concern that M'Bow may seek third Unesco term

BY SIMON HOLBERTON

WITH THE appointment of a new head of Unesco seven months away fears have been expressed in Paris that Mr Amadou Mahtar M'Bow, the director-general, is preparing to seek a third term or an extension to his present one.

An informal deadline of April 1 has been set for member states to nominate their choice of successor as head of the United Nations Educational, Scientific and Cultural Organisation, and it has become plain that those who favour Mr M'Bow's replacement have not been able to agree on a candidate.

Recent travels by Mr M'Bow have fuelled doubt about his intention to resign, despite his statement last October that he would not stand again.

The US left Unesco in 1984, and was followed by Britain the following year. Both blamed their departure on poor management and waste of the organisation's financial resources, for which they held Mr M'Bow responsible.

Unesco's 158 member states have been asked by Mr Ivo Margan, chairman of the organisation's executive council, to submit nominations by the beginning of April. The council will consider them in September and make its recommendation to Unesco's general conference the following month.

To some Unesco ambassadors, however, the question of Mr M'Bow's intentions may be no more than idle worrying and a diversion from the real task of choosing a replacement. Although there are some highly qualified candidates from Latin America and Europe it is felt that the next director-general should come from Asia.

There are at least five possibilities, including Mr Yaqub Khan, Pakistan's Foreign Minister, and the rector of the UN University in Tokyo, Indonesia's Mr Soedjatmoko.

EUROPEAN COMPANY FACES COURT ACTION

US exporters challenge 'unfair' inspection

BY NANCY DUNNE IN WASHINGTON

A LARGE Geneva-based cargo inspection company may face a US subpoena for its records unless it voluntarily submits copies of its contracts with 23 nations in Latin America and Africa.

Ms Susan Liebeler, chairman of the International Trade Commission, held hearings in Miami yesterday and Monday on complaints from US exporters that the Societe Generale de Surveillance (SGS) and other inspection companies are employing "unfair trade practices" in their pre-shipment inspection of US exports.

"I would like to see the contracts," Ms Liebler said. "This issue may be resolved by the Commission or it may be resolved in the courts."

In Geneva SGS said that it had contracts with 25 governments to assist them in monitoring the price and quality of their imports.

This involved comparing prices offered by suppliers with those prevailing in world export markets for products of similar nature and quality. As a result SGS sometimes queried suppliers about their pricing and this could have happened with exporters in Florida.

A basic service was to help governments reduce over-invoicing, SGS said.

SGS officials in the US said thtey may not comply with the request because contracts with their customer governments are likely to be considered confidential.

According to US exporters, the private inspection companies, working under contracts with foreign governments, mostly in Africa and Latin America, have not only demanded to inspect shipments, but have insisted on seeing the sellers' confidential records. On examining the books, the inspectors may insist that the sellers drop their prices.

Mr Jeff Liss, head of the SGS office in Miami, said the company was not trying to limit US profits, but it objected to mark-ups that were much higher than customary.

Mr James Brennan, president of the Florida Exporters and Importers Association, said: "This is price fixing by foreign governments and private companies."

It was also unfair trade, he said, resulting in severe harm to US exports. Inspection problems had delayed shipments by up to two months, adding some 15 per cent to the exporters' costs and jeopardising their expiring letters of credit.

In fact, some companies have given up completely on trying to sell to countries with preshipment inspection contracts. Mr Brennan cited one company which refused to bid on a Guatemala project because of the required inspection, and another which gave up a $500,000 contract in Ecuador rather than allow its books to be inspected.

The number of countries signing inspection contracts has mushroomed in the past 18 months, according to Mr Brennan. Venezuela, Colombia, Ecuador, and Guatemala had all signed up, and Jamaica was reportedly considering proposals.

An attorney for five Florida trade organisations, Mr Thomas Travis, said that US companies for the first time had to submit to price controls "issued and administered by unregistered foreign agents who roam throughout the US deciding whether and at what price US exporters are able to ship their goods."

Sekt appeal falls flat in court

By William Dawkins in Brussels

THE EXCLUSIVITY of Champagne has received the stamp of approval from the highest legal power in the European Community.

The European Court of Justice in Luxembourg, as keen as ever to uphold high standards in the EEC, has ruled against an appeal by a West German sparkling wine producer to be permitted to continue to carry the words "methode champenoise" on its labels.

Deutz und Gellerman, makers of the German sparkling wine known as sekt, were trying to overturn a two-year-old EEC regulation which stipulated that after 1994 the privilege of using "methode champenoise" labels should be restricted to sparkling wines from the Champagne region of France.

The change would be a serious blow to sales, argued Deutz und Gellerman, inviting comments from some cynics that the case could lead to a grave loss of sekt appeal for the company's product.

It pointed out that, like many other producers of sparkling wine in the Community, it had been making bubbly for decades using the same techniques as practised by French Champagne growers.

Steering clear of any attempts to assess the quality of French sparkling wine against its German counterparts, the European Commission argued successfully that Deutz und Gellerman's plea was inadmissible. This was because companies had to prove that they were "directly and individually concerned" if they were to mount appeals against EEC regulations.

But the Court has overturned this decision because "methode champenoise" labels outside Champagne will not just apply to Deutz und Gellerman when it comes into force, but to around 100 other sparkling wine producers throughout the EEC.

Ironically, about 80 of them are Spanish, and the Madrid Government has mounted its own separate protest

However, yesterday's decision means that direct appeals against the EEC can no longer be made. In seven years' time, non-French bubbly will have to call itself plain sparkling wine.

Inflation rate falls to 4.2% in Italy

Italy's yearly inflation rate dropped to 4.2 per cent in February, the lowest level in 18 years, the government statistical institute reported yesterday, AP reports from Rome. Italy's inflation, once close to 20 per cent, fell below the two-digit level in 1984 as the economy benefited from a decline in oil and raw materials prices.

US soft pedals criticism of Eurofighter

BY DAVID BUCHAN, DEFENCE CORRESPONDENT

THE US Defence Department is moderating its recent sharp criticism of four European countries that their joint development of a fighter aircraft threatens to exclude US manufacturers and thereby runs counter to US-European understandings on arms collaboration.

A Defence Department spokesman in Washington said this week that a second letter would be sent to the governments of Britain, West Germany, Spain and Italy to "clarify" that an earlier US letter had not been intended to "threaten or penalise" the four countries in the Eurofighter consortium.

This move to defuse an issue that might have added a defence dimension to current transatlantic trade recriminations follows a letter sent last month by Ms Eleanor Spector, the deputy Assistant Defence Secretary for procurement, to the Washington embassies of the four Eurofighter consortium countries.

The US Official noted that Eurofighter rules, requiring assurances from contractors that their components be freely exportable, threatened to exclude US manufacturers which need permission from Washington for the re-export of any of their goods.

She claimed such rules contradicted US-European reciprocal accords, risked retaliatory action from Congress, and might raise the cost of the European Fighter Aircraft (EFA), already estimated at some £10bn.

British officials regarded the letter as "a stiff letter of complaint" rather than a specific threat of retaliation. No reply has yet been given, but they point out that the exportability of the EFA is very important to the four countries involved. Longer production runs, from exports, could lower unit costs and gives the four countries' air forces more flexibility in placing follow-on orders for EFA to accommodate budgetary pressures.

A mock-up of the Eurofighter seen at last year's Farnborough Air Show

Invitation sparks Berlin row

By Leslie Colitt in Berlin

WEST BERLIN'S Governing Mayor, Mr Eberhard Diepgen, and the three Western Allies in the city are sharply divided over an East German invitation for him to mark the 750th anniversary of Berlin in East Berlin.

Mr Diepgen, who is in Washington for talks at the State Department and a meeting today with President Ronald Reagan, wants to accept. The Allies (the US, Britain and France) are opposed, fearing that his presence at the ceremony in October would undermine their legal position and the status of Berlin as one city.

Mr Diepgen said it was "false" to raise the status issue as he did not intend to go further than the Allies had already done. He pointed out, for example, that Allied diplomats in East Berlin attended the New Year reception given by the East German Government.

If he gave a negative reply, he said, he would only play into the hands of hard liners in East Germany.

He favours extending a counter-invitation to East Germany's leader, Mr Erich Honecker, to attend West Berlin's 750th anniversary celebration next month. He would make his acceptance of the East German invitation dependent on Mr Honecker visiting West Berli

The Western Aliles, however, are worried that Mr Honecker might just come. His presence at an official event in West Berlin, they argue, could support the Communist position that West Berlin is a "separate political entity," a third German state so to speak.

French crime rate down by 8%

BY PAUL BETTS IN PARIS

THE CRIME rate in France declined by 8 per cent last year largely thanks to government action, Mr Robert Pandraud, the minister responsible for security, claimed yesterday. A package of anti-terrorist and law and order measures was introduced last May and reinforced in the autumn following the wave of terrorist bombings in Paris.

Mr Pandraud maintained yesterday that these measures had a direct impact, especially in the second half of the year in bringing down the crime and delinquency rate. The Government has extended police powers to check identity papers in streets and public places, increased police ability to hold suspects in custody and lengthening prison sentences for serious crimes.

It has also increased the number of police and security officers on patrol duty in streets, railway stations, airports and other public places. These security measures have recently been reinforced following the trial of Georges Ibrahim Abdallah, the Lebanese terrorist

The presence of police on patrol duty coupled with the increased number of checks of possible suspects appears to have a strong impact on preventing ordinary crime, Mr Pandraud claimed.

However, the security authorities acknowledged that while crime and petty delinquency was in general on the decline there were still several specific problem areas, including the alarming development of drug trafficking and armed robberies of commercial and financial establishments.

Commission unveils plan for easing bus controls

BY OUR BRUSSELS STAFF

INTERNATIONAL bus and coach services should become cheaper and more flexible if EEC member states accept a road transport liberalisation scheme launched by the European Commission.

The Brussels authorities have put forward a new set of common rules for bus transport between EEC countries and have proposed conditions by which non-national carriers could run bus services in other member states.

The measures, which would benefit package holiday and tour operators rather than purely national carriers, are designed to complement recent Commission moves to dismantle barriers to free trade in road haulage.

Under the latest proposals, operators would be allowed to send empty coaches on outward journeys to collect passengers in a second member state for delivery in a third. They would also be allowed to pick up passengers from more than one place in the country of departure, in contrast to existing industry rules.

The present system only allows operators to pick up passengers from one point in the country of departure and drop them all off at the same destination in another EEC state.

The Commission is also proposing to make it possible for bus companies from one member state to run services in a second, a move which is designed to make it easier for foreign tour operators to offer local excursions across EEC borders. Also included in the package are streamlined arrangements for crossing frontiers, such as the elimination of the need for coach drivers to carry passenger lists

EEC output up by 2% last year

By Our Brussels Staff

INDUSTRIAL production in the European Community rose by around 2 per cent in 1986, representing a slight fall in the previous year's 3.3 per cent growth rate.

European Commission figures released yesterday nevertheless show that the EEC produced a better industrial growth rate last year than both the US, where industrial production rose by 1.1 per cent in 1986, and Japan, where growth fell by 0.5 per cent last year.

The Commission's industrial production index for the last three months shows a marked slowdown in the average rate of growth—a mere 1.4 per cent—for the 12 member states.

The highest growth rates last year came from Denmark with 4 per cent and Portugal with 5 per cent, while Greece was the EEC's laggard, with a decline in production of 0.3 per cent.

Gorbachev's policies win Lenin seal of approval

THE SOVIET Communist Party daily newspaper Pravda invoked the name of Vladimir Lenin yesterday, thereby investing Mr Mikhail Gorbachev's policies with full ideological authority and firing a warning shot at his opponents, Reuter reports from Moscow.

Pravda said Lenin had sought in the early 1920s to cut red tape in Moscow-based government institutions, allow some private enterprise and promote talented people. These have all been themes of Mr Gorbachev's rule.

In several passages carrying particular weight, Pravda said Lenin had built his strategy around the idea of *perestroika* (reorganisation), a catchword frequently used by Mr Gorbachev to denote his drive for change.

Lenin and his works are the ultimate source of authority in the Soviet Union. By terming him an advocate of *perestroika*, Pravda signalled its view that Mr Gorbachev's opponents were ideologically bankrupt and should be cleared out of office.

In recent months the official press has railed with increasing frequency against conservative-minded party and government officials, accusing them either of reluctance to embrace new ideas or of outright sabotage of Mr Gorbachev's policies.

The Pravda article takes on extra significance since it dealt with a period when Lenin freed the economy from tight central control and reorganised the Cheka political police system, which had acquired sweeping powers in the 1917-1922 Civil War.

Quoting indirectly from Lenin's letters, Pravda said he had observed that the end of the Civil War meant that judicial authorities, founded on a firm legal footing, should assume responsibiltities previously handled by the Cheka.

Pravda left its readers free to intepret Lenin's words as providing support for Mr Gorbachev's declared aim of establishing a more solid legal basis to protect citizens' rights against arbitrary official encroachments.

The most significant case under Mr Gorbachev was disclosed last January, when Pravda said a senior officer of the KGB security police, modern-day descendant of the Cheka, had been sacked for arresting a reporter who had exposed abuses of power.

Turning to the economy, Pravda yesterday referred to Lenin's New Economic Policy (NEP), which allowed private trade and small-scale individual manufacturing, and quoted him indirectly as saying: "Let the capitalist trade and flourish — that is allowed under NEP.

"But he must be honest, he must present accurate accounts and he must follow not only the letter but also the spirit of our legislation."

As with the reference to the Cheka, readers were implicitly intended to draw a parallel with the limited expansion of legal private initiative which Mr Gorbachev has permitted in the service and agricultural sectors of the economy.

The newspaper quoted Lenin as saying that capitalists in the NEP period should be "disciplined and respectable." Similarly, Mr Gorbachev has countered domestic critics by saying that his economic policies do not represent a departure from party principles.

Pravda also quoted Lenin indirectly as saying: "If the central organs pile up trivialities, this will create excess paperwork and red tape and will limit the responsibility of subordinate organs and leaders."

The words provide ideological support for Mr Gorbachev's complaints that government ministries and state committees in Moscow have failed to streamline their work and are jealously safeguarding their grip on key areas of the economy.

● Iceland's Prime Minister, Mr Steingrimur Hemannsson, said yesterday in Moscow that Mr Gorbachev had indicated that reforms would be introduced soon making overseas travel easier for Soviet citizens. He had a two-hour meeting on Monday with the Soviet leader.

At present, most Soviet citizens wishing to go abroad need aproval from special commissions and have to give proof of ideological reliability to obtain a passport, a process often taking several months. Most travel is in organised groups.

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Finnish elections open door of opportunity for conservatives

Olli Virtanen reports on a vote which many observers have called a real test of Finland's democracy

● Sorsa (left): fears SDP may become minor player in cabinet

FOR THE first time in decades, a sense of excitement surrounds the Finnish elections, due to be held in two weeks' time. After 20 years in opposition, the conservatives seem to have a chance of winning real power in the next coalition government. If they succeed, the outcome is likely to have an impact on the presidential election next March.

Kokoomus, the conservative party, is anxiously vying for portfolios in the future cabinet. As Finland's second biggest party, with 44 seats out of 200 it has a legitimate right to them. But first it has to agree on the agenda with other parties to form a majority coalition.

The leading partners in most post-war cabinets have been the Social Democratic Party (57 seats in parliament) and the Centre Party (37 seats). The other two parties in the present coalition are the Rural Party (17 seats) and the Swedish People's Party (11 seats).

Until now other parties have shunned Kokoomus for its alleged anti-Soviet stance. During the post-war years of active confidence-building towards Moscow, this attitude was seen as irresponsible. But Finland's conservatives are now as anxious as any other party to build links with Moscow.

Some observers have dubbed these elections as a real test for Finland's democracy. The country's second biggest party cannot be kept in opposition indefinitely, they argue.

By the latest poll estimates the SDP and the Centre Party will retain their current positions whereas the conservatives will gain. But instead of a forecast that gave them 10 extra seats, the latest opinion polls predict an increase of only two or three.

If it fails to win more seats, Kokoomus will have nothing but itself to blame. The party has been widely criticised for its lacklustre approach to the elections. It has not published any real agenda and, when asked about the most pressing problems in the country, the party chairman, Ilkka Suominen, echoed the present government by naming unemployment and housing.

Traditionally a party for the well-off, Kokoomus has gradually gained more parliamentary seats over the years as standards of living have risen. But it still has no viable alternative policy and is shy about taking a strong pro-business attitude. Meanwhile other parties, notably the SDP, have become more bourgeois as their policies become more centrist.

The Government has passed new laws on taxing pensions and other forms of social security which would have been unthinkable only a few years ago. It backed industrial restructuring which left hundreds of workers unemployed and last spring it helped bring about the lowest wage settlement ever in Finland and increased fines for illegal strikes 10-fold.

Had Kokoomus been one of the architects, there would have been a strong public outcry against the measures.

FINNISH PARLIAMENTARY LINE-UP

Party	Seats
Social Democrats	57
Conservatives	44
Centre Party	37
People's Democrats (mainly Communists)	27
Rural Party	17
Swedish People's Party	11
Christian League	3
Greens	2
Constitutional Party	1
Indepedent	1

If they get portfolios, the conservatives will probably try to lower marginal taxation, which eats up as much as 80 per cent of extra income, to 50 per cent. In addition they may try to reduce excess farm production and channel more funds to day care to help two-earner families.

But the present Government reduced the level of corporate taxation to 33 per cent substantialy last year and shifted the burden of some FM 1bn ($220m) in energy tax from companies to households.

Overall, there is relatively little leeway for a government to shift the emphasis of the budget, since 90 per cent of the outflow is tied up by various laws.

Whatever will happen in the elections, Kokoomus has now become a handy pawn for the SDP and the Centre Party. The Centre Party is now actively courting Kokoomus to join a coalition government. This would virtually ensure that the prime minister would be a non-socialist and the leading candidate would be Mr Paavo Vayrynen, the Centre Party chairman and Foreign Minister, and the party's candidate in the presidential elections.

This scenario would be ideal for Mr Väyrynen, since most of Finland's recent presidents were Prime Ministers when elected. But the present Prime Minister, Mr Kalevi Sorsa, chairman of the SDP, opposes it for the very same reasons.

He is on record as saying that the SDP would not join Kokoomus in a government. A purely non-socialist government without the SDP is a long shot for any point of view. This leaves the present coalition, again, a viable alternative.

Mr Väyrynen's strong aspirations and Mr Sorsa's fears that the SDP may become a minor player in a cabinet, have soured relations between the two men. Furthermore Mr Sorsa is very loyal to President Mauno Koivisto, his party's candidate if and when Mr Koivisto decides to run again.

Mr Sorsa's cabinet became the country' longest serving with 1,394 days at the end of February, but during the past months it has practically been a caretaker government waiting for the elections.

On March 16 and 16 Finns will cast their votes in the hope that they will make an impact in the way Finland is run. Negotiations after the elections will show whether democratic principles will have more elbow room this time than they have enjoyed for the past 20 years.

هكذا من الأصل

Defections highlight dissatisfaction in Libya's military

BY TONY WALKER IN CAIRO

THE DEFECTION of five *Libyan soldiers* to Egypt in a Hercules transport aircraft appears a *further example* of fairly widespread dissatisfaction in Libya's military.

There have been a number of indications recently of unrest in the ranks of Col Muammar Gadaffi's highly politicised armed forces, now deeply engaged in battle with government troops in Chad.

Persistent reports of reshuffles in the higher echelons of the military have been a feature of the past several years since a 1984 coup attempt, in which elements of the army were reported to be *involved*.

Col Gadaffi, in a series of *speeches towards* the end of 1985, emphasised the role of revolutionary *committees* and citizens' militias at the expense of the military itself.

After the April 1986 US bombing raid against Tripoli, the armed forces were blamed for lack of preparedness and poor performance.

All this has helped to undermine the authority of the professional cadre who have suffered as much as any group in Libya under Col Gadaffi's idiosyncratic leadership.

The presence, among the defectors to Egypt, of a lt-colonel — a senior post in the Libyan military where *Col Gadaffi* notionally holds the highest *rank* — *re-inforces the* impression of dissatisfaction at the top *of the professional corps*.

At the time of the US bombing *raid, there* were *strong* indications that elements of the military had sought to take advantage of the ensuing chaos. There were reports of disturbances in both Tripoli and Benghazi, Libya's second city.

Heightened fears of a possible coup may be one of the reasons why the Libyan leader has further de-centralised government institutions. Military headquarters have been moved away from Tripoli as have other elements of the administration.

Col Gadaffi has seemed more elusive than ever since the April 15 raid, rarely appearing *in the capital*, and spending, it seems, more time in remote *desert locations in the far south* of the country.

Adding weight to impressions of unrest in the military were the executions last month of three soldiers accused of being members of al-Jihad (holy war), an extremist Moslem group.

A focus of opposition to Col *Gadaffi is the Islamic fundamentalist* trend which is critical *of Libya's links with the Soviet* Union and the secular nature *of the régime*, although the colonel proclaims himself a devout Moslem.

Col Gadaffi's problems are not simply those of Chad and internal opposition. Libya's economy is in crisis—afflicted by severe shortages.

Tripoli's foreign policy is also under strain. Relations with Damascus are shaky because of disagreements over Lebanon where Libya supports the *Palestinians*.

Libya is at loggerheads with *most of its neighbours, including*, principally, Egypt. An *accord with Morocco* collapsed last year.

Gandhi hits at US over Pakistan 'bomb'

By John Elliott in New Delhi

MR RAJIV GANDHI, India's Prime Minister, Yesterday indirectly attacked the US for failing to stop Pakistan's "clandestine nuclear weapons programme" and for continuing to supply it with arms and aid.

He stopped short of repeating *thinly-veiled* threats he has issued in the past about India reactivating its nuclear weapons capability if Pakistan were proved to have a bomb.

Such a move would win widespread political and popular support in India, but Mr Gandhi warned: "Let there be no mistake about the determination and capacity of the people *of India to defend their* sovereignty and integrity."

Mr Gandhi was addressing the Indian parliament two days after Pakistan's leading nuclear scientist was reported to have confirmed his country had the capacity to make a nuclear bomb, and at the same time as the US Congress is debating fresh economic and defence aid for Pakistan totalling \$4.02bn (£2.8bn).

● *One of Pakistan's* leading English-language newspapers, *the Muslim, said yesterday that* the nuclear scientist's claims were a message both to India to keep its "hands off Pakistan," and also to the US not to link the nuclear issue with approval of the aid package

Shultz lectures China on capitalist virtues

BY ROBERT THOMSON IN PEKING

THE US Secretary of State, Mr George Shultz, yesterday lectured the Chinese on the virtues of capitalism, after having been told by the country's leader, Deng Xiaoping, that capitalism and "bourgeois liberalism" would lead China "nowhere."

Deng was in a jaunty mood, *despite China's serious political* problems, and convinced his guest that the Open Door policy would remain in place.

The Chinese leader jokingly compared the troubled US president, Mr Ronald Reagan, to *the disgraced former President*, Mr Richard Nixon, and Mr Kakuei Tanaka, a former Japanese leader involved in the Lockheed scandal.

Deng made clear that even though both Mr Nixon and Mr Tanaka had tarnished reputations, they are thought of fondly in Peking for having established diplomatic relations *with China in the early 1970s*.

Leaders often faced "difficulties." Deng said, alluding *to* the recent forced resignation of the Communist party chief, Hu Yaobang.

But he claimed that China's political problems were "over" though diplomats are convinced that the Communist Party is still stricken by ideological disputes, and they expect further changes in coming months.

Speaking at a management training centre in the northern city of Dalian yesterday, Mr Shultz warned that a "closed" policy would lead to "stagnation and backwardness."

He said the quickest development came not from central planning, but from "*creative energies released* by competition in the marketplace."

The speech was out of tune with the present Chinese political line, which calls for "thrift" and "selflessness." Mr Shultz also went close to what the Chinese call "*interfering* in internal affairs" when he suggested that there should be an "intellectual environment that values and encourages the potential for creativity."

During the present campaign against Western influence, several Chinese intellectuals have been publicly criticised for deviating from party prin*ciples, and the confidence of* academics and artists has been seriously undermined.

Coincidentally, Mr Shultz is due today to visit Qufu, the birthplace of Confucius, and he noted yesterday that go-ahead Americans have been inspired by "ideals" akin to Confucianism.

Chinese leaders, he said, had told him "time and time again" that the open policy would continue: "I have no reason to question their sincerity in saying that, and I can say for certain that it came from the highest levels."

Mr Shultz urged *China* to reduce a growing trade surplus *in its favour, and said the* US intended to liberalise controls on high-technology exports.

He conceded that China was working to improve its investment environment, but said many US companies "feel shut out completely" or have "excessive difficulty" in entering the China market.

Japan's unemployment rate rises to record 3%

BY CARLA RAPOPORT IN TOKYO

JAPAN'S seasonally-adjusted jobless rate rose in January to 3 per cent, the highest figure since the Government started compiling employment statistics in 1953.

The increase in unemploy*ment, prompted by the slow*down in export industries hurt by the appreciation of the yen, will bring new pressure on the *Government* to provide a substantive supplementary budget later this year to boost domestic demand and provide more jobs.

First, however, the Diet (parliament) must approve the fiscal 1987 budget. Budget debate in the Diet has been stalled for several weeks as opposition parties have dug in their heels over Prime Minister Yasuhiro Nakasone's proposed sales tax.

Budget deliberations had only just restarted when the record unemployment figures were announced. Following the announcement, Finance Minister Kiichi Miyazawa said the passage *of the 1987* budget bill had taken on "new urgency."

Mr Miyazawa *said* yesterday that the budget must be approved so that the Government will be able to boost employment through new fiscal incentives and initiatives.

The furore over the proposed sales tax reached a peak at the weekend with hundreds of union members and consumers attending protest rallies across *Japan*. They argue that the sales tax will increase unemployment.

Mr, Nakasone, however, has refused to give in to the pressure. Earlier this week, he decided to penalise members of the ruling Liberal Democratic Party who are opposing the proposed tax. "Their conduct will be remembered when it comes time for future promotions to party posts," Mr Nakasone said.

It is now expected that the LDP will push through the zero-growth budget bill by the end of this month, then begin work on a supplementary budget *which will aim to satisfy* demands at home and abroad for substantive stimulation of the domestic economy.

Yesterday's unemployment figures added to the increasing sense of shock felt throughout Japan over the yen's appreciation. Employment in manufacturing industries was hurt the most in January, dropping by 380,000 jobs to 14.3m, compared to a year earlier.

This is the largest year-to-year fall since 1980. Large declines were recorded in the textile and transport machinery sectors.

At the same time, however, the benefits of the higher yen, in terms of cheaper imports, are only starting to be felt. Jobs in the service sectors, which includes the booming financial sector, jumped by 430,000 to 12.11m in January, while the wholesale, retail and restaurants sector added 180,000 jobs to reach 13.25m in the month.

PFP to back 'tactical voting' in May 6 poll

BY ANTHONY ROBINSON IN JOHANNESBURG

THE OFFICIAL South African white opposition Progressive Federal Party (PFP) has decided to encourage "tactical voting" in the May 6 white general elections by not putting up its own candidates in three Transvaal seats where the National Party is represented by "verligte" or enlightened nationalists.

This follows an earlier decision not to stand against the three independent candidates — Dr Denis Worrall, Mr Wynand Malan, and Dr Ester Lategan, but encourage PFP supporters to vote for them. The three independents have drawn up a manifesto which will be made public later this week.

Mr Douglas Gibson, Transvaal *PFP chairman*, said the decision was part of the PFP's strategy of laying the groundwork for the emergence of an alternative government.

This *would require defections* from the left wing of the National Party which, in the PFP's analysis, is paralysed and incapable of real reform.

"The great divide in South African politics is between those who want to share South Africa and those who don't. The NP straddles that divide and movement in any direction will cause it to lose support from the opposite wing," Mr Gibson added.

● A police inquiry is taking place into an incident outside the Soweto home of Mrs Winnie *Mandela, wife of the* jailed African National Congress *leader, when police* were fired on by unknown gunmen early on Monday.

Police had been called to the home after shots were allegedly fired at it.

Seoul riot police disperse student demonstrators

BY MAGGIE FORD IN SEOUL

THE South Korean Government yesterday mobilised more than 30,000 riot police to prevent about 5,000 demonstrators from holding rallies in memory of a student said to have been tortured to *death by* police.

About 300 Buddhist priests tried to hold a memorial service for *the student on* the 49th day after his death. They were turned away from their temple

Groups trying to march towards Pagoda Park, site of the protest rally called by opposition leaders and religious groups, were dispersed with tear gas. More than 600 people were arrested.

Opposition leaders, who have called on the students to refrain from violent behaviour, especially *during* protests over the case, yesterday condemned the government's action.

Mr Kim Young Sam, adviser to the leading opposition New Korea Democratic *Party* (NKDP), was placed under house arrest yesterday *during* the rally, along with his colleague Mr *Kim Dae Jung*.

This latest demonstration will focus *attention* on South Korean politics a few days before the arrival of Mr George Shultz, the US Secretary of State, on his way back from China.

Mr Shultz's visit has raised *expectations among* many South Koreans that the US may be planning to try to encourage the ruling party to move towards greater democracy.

A speech made last month by Mr Gaston Sigur, Under-Secretary of State for Asian Affairs, referred to the country's opportunity to "civilianise" its politics when the President steps down early next year.

The ruling Democratic Justice Party and the NKDP are at present in deadlock over plans to revise the *constitution* in advance of elections. The opposition *favours a direct* vote for a president while the ruling *party* is backing a Westminster-style Cabinet system of government.

Although Western diplomats believe that the Sigur speech does not signal any policy change in Washington, Mr Shultz's remarks will be carefully watched.

West Bank produce ban sours Israel-EEC links

BY ANDREW WHITLEY IN JERUSALEM

A REFUSAL by *Israel* to permit the direct export of West Bank and Gazan *farm* produce through Israeli ports is souring relations with the European Community.

It has also cast doubt on the *Government's* oft-stated commitment to improving the quality of life in the occupied territories.

At stake is the future of a politically important initiative taken last *October* by the European Commission in Brussels. *The* two-pronged programme extends direct aid for the *first time* to the 1.4m Palestinians of the region, and provides duty-free access to the Community market for their vegetables and *fruit*.

So far, the omens for success are not promising. But *leaning* on the Israeli authorities to give way on this issue, advocated by the US Secretary of State Mr George Shultz, as being an essential first step if the proposed Jordan-Palestinian confederation is ever to materialise, is the US Government.

A trial shipment of 5,000 tonnes of tomatoes from a Palestinian co-operative in the Gaza Strip to Norway was blocked last December by the Israeli authorities, who continue to insist that all exports should be handled by two Israeli state marketing concerns, Agrexco and the Citrus Marketing Board.

Refusing in practice to relax control over a region Israel has administered for nearly 20 years, the National Unity *Government* is also proving reluctant to provide the hands-off *guarantees* of non-interference Brussels is seeking for the aid *projects* it would like to fund.

WORLD TRADE NEWS

Israel's generals want to scrap Lavi jet fighter

BY ANDREW WHITLEY IN JERUSALEM

ISRAEL'S military chiefs have formally recommended that the controversial Lavi combat aircraft be cancelled. They suggest Israel should buy the latest version of the General Dynamics F-16, now entering service with the Israeli Air Force.

Purchase of the 300 new aircraft Israel says it needs in the coming two decades could involve an expenditure of at least $5bn.

Until now, no one in authority has dared to challenge the conventional wisdom in Israel that the Lavi was essential both for the country's security and its technological advancement. Most of the coalition Cabinet headed by Mr Yitzhak Shamir are firm supporters of the project.

The report by the planning branch of the General Staff, headed by Major-General Amir Drori, deals a serious blow to the Israeli project, funded largely by the US. The Pentagon has independently been exerting mounting pressure on the Shamir Government to scrap the aircraft, on which $1.3bn has already been spent.

The first prototype of the Lavi, designed as a multi-role aircraft capable of penetrating sophisticated ground defence systems, is in the midst of its test flight programme. If the go-ahead for series production is given, it would come into service in 1991.

The generals' misgivings over the mounting cost of the Israeli-designed aircraft, which could end up costing over $20m apiece, have been well known for some time.

The Israeli Defence Forces fear the project will take away funds from modernisation programmes for other branches of the armed forces, notably the navy.

In its place, the general staff have apparently come out in favour of the politically most palatable alternative presented by the Pentagon to the Israeli Defence Ministry in January. This is a modified version of the F-16C, which would incorporate some of the avionics designed by Israeli electronics companies for the Lavi project.

The Government's acceptance of the IDF planning staff's report is, however, by no means certain. The project is a big source of employment in an industry going through a painful process of readjustment to government cuts in defence-related orders.

Japan steps up drive to stem chip dumping in Asia

BY CARLA RAPOPORT IN TOKYO

JAPAN is stepping up efforts to reduce dumping of semiconductors in Asian markets in an attempt to head-off the collapse of the US-Japan trade pact on semiconductors.

The news comes as US industry executives meeting in Washington this week step up their efforts to gain government support for their demands for trade sanctions against Japanese chip manufacturers.

Japan's Ministry for International Trade and Industry (Miti) said it was now monitoring all chip exports from Japan and exporters are being asked to produce an export certificate from the makers of the chips.

Those which produce a certificate are registered as authorised exporters and those which do not are deemed to have bought the chips in the open market at cheap prices.

After monitoring this information for a few weeks, Miti plans to ask individual chipmakers to cut their production and exports accordingly.

The European Community will tomorrow ask the General Agreement on Tariffs and Trade to examine whether last July's US-Japan semiconductor agreement violates Gatt's rules on free trade, AP-DJ reports from Zurich.

The companies involved are the six leading chip makers: NEC, Hitachi, Toshiba, Fujitsu, Mitsubishi Electric and Oki Electric.

The purpose of the monitoring exercise is to insure that the cuts will be allotted fairly. Recently, Miti instructed Japan's chipmakers to reduce production by up to 20 per cent for the six weeks to the end of March.

The US-Japan semiconductor trade pact, signed last summer, aimed to stop Japanese companies from dumping chips in the US and increasing the access of foreign chipmakers in the Japanese markets.

Japanese hold on to US market

By Nick Garnett in Las Vegas

JAPANESE CONSTRUCTION machinery makers selling in North America have so far absorbed much of the revaluation of the yen, kept down price rises and retained their share of the world's biggest single market.

Over the past 18 months the yen has moved from 260 to the US dollar to 154, a shift of about 40 per cent. During this period Japanese companies have raised list prices by 20 per cent or less and many continue to offer substantial discounts.

They have cut dealer margins to the bone as well as reducing their own production costs in Japan by, for instance, sourcing more component manufacturing to small Japanese suppliers with lower wage costs.

Mr John Borden, executive vice president for marketing at J. I. Case, the US construction equipment maker, said that some excavator manufacturers, including Komatsu, Mitsubishi and Kobelco, which normally operate on profit margins of 4 per cent or 5 per cent in North America have been selling at a substantial loss. It is a charge the Japanese companies deny.

These price increases have hit the Japanese because construction equipment prices have been virtually static for the past five years in North America and elsewhere.

Komatsu, whose net revenue worldwide declined by 40 per cent last year but which is still in profit, raised its prices in North America by an average of 18 per cent last year. Its share of the North American market fell from 11 per cent in 1985 to 9 per cent. The company has said that it would be forced to raise prices again this year but has not decided when or by how much.

Mr Ron Hargrove, national sales manager of Machinery Distribution, a company which sells Mitsubishi wheel loaders and motor graders, Tadano cranes and Furukawa wheel loaders, says dealer margins have been cut drastically by Japanese suppliers.

The one good sign for the Japanese, however, is that price pressures have not affected Japanese hydraulic excavators as severely as other equipment. This is because imported machines, mainly Japanese, have a virtual stranglehold on the fast-growing US market for excavators.

Chris Sherwell reports on a joint venture plan to sell washing machines to China

Australia helps end days of Chinese laundry

AT Adelaide's newly-renovated maritime museum, an old sailboat which once carried cargoes round the Australian coast stands proud inside a brick warehouse. In a tiny shelter on deck is an antiquated iron stove —made by Simpson's.

A century later, the company is Australia's best-known local white goods manufacturer, a household name in the Australian city which claims manufacturing as one of its special talents.

Though no longer under family control following a takeover last April, one of Simpson's last achievements under its own name was an exciting breakthrough: a joint manufacturing venture with China, believed to be Australia's first.

The project, which took some 18 months to negotiate, involves the production of 200,000 Australian-designed washing machines under a contract between Simpson and the Tianjin household electrical company.

The Tianjin Simpson Household Appliance Company, as the venture is known, will employ about 400 Chinese workers to produce the machines in a specially converted carpet factory in Tianjin, a manufacturing centre which lies 75 miles south-east of Peking.

Chinese-made steel, motors and electrical components will be used as far as possible and the production line is scheduled to start rolling in July, with most of the output going into the Chinese market.

The market is estimated at some 10m units a year and is supplied by about 100 producers. Against such competition, the joint venture is pinning the success of its machine on a growing domestic market and three important features.

These are its compact size, which make it ideal for small apartments; the fact that it is top-loading rather than twin-tub, which makes it convenient to operate; and its use of cold water—many Chinese households do not have hot water.

For Simpson's, the key earning opportunities lie in the 50,000 units which will be exported to South East Asian and South Pacific countries. It is from these earnings that it will be able to repatriate dividends.

Moreover, success here against Korea or Taiwan would inevitably lead to the creation of an international distribution network out of China, through which it might also market its other products.

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Representatives from Tianjin were in Adelaide recently to see the Simpson's plant, and no doubt some of its other products.

The new washing machine is based on Simpson's Genesis model developed in Adelaide, and its successful introduction will presumably help to outdate the old cliches about Chinese laundries.

According to Mr Don McNeill, chief executive of Simpson's, the Genesis model incorporates the latest technology and the China version will simply be scaled down in size and adapted for use with cold water.

The A$7m (£3m) joint venture is 50 per cent owned by Simpson's, which put in its A$3.5m equity in the form of up-front pre-development expenses in design and in cash.

The Tianjin Household Electrical Company has a 35 per cent stake based on the factory and its basic equipment, while the remainder is held by the Bank of China.

There are local loans in Renmimbi for working capital and foreign exchange loans made through the Bank of China, Fuji Bank of Japan and Australia's Export Finance Insurance Corporation.

Although other Australian companies have become involved in China, their activities have mostly been in agriculture or agriculture-related activities. The Simpson's operation is thought to be Australia's first involving the manufacture of complex metal products.

If the washing machine is a success, it could lead to an expansion of production and other joint projects. Certainly the potential is large.

Just as importantly, however, the combination of Australian technology and Chinese labour and production will provide illustrative experience for other Australian manufacturers and therefore influence prospects for wider co-operation in that sphere.

According to Mr McNeill, Simpson's is only likely to see returns "two or three years down the track." But he argues that the company will gain enormously from competing in the tough South East Asian market.

That is a view many Australian manufacturers are being urged to adopt. Economists agree that the country needs to exploit its new-found competitiveness to help redress its large current account deficit. The Simpson's venture is a step towards that end.

MORGAN GUARANTY TRUST STUDY OF ASIAN NICS

S Korea and Taiwan suffer 'policy inertia'

BY PETER MONTAGNON, WORLD TRADE EDITOR

TAIWAN and South Korea have taken only token steps so far to adjust their trade imbalance with the rest of the world and will have to undertake fundamental economic reforms if they are to play their part in averting the breakdown of the world trading system.

This is the main conclusion of a new study by Morgan Guaranty Trust, the leading US bank, on the impact of the newly industrialising countries (Nics) of South-East Asia on the chronic US trade deficit.

Morgan Guaranty estimates in its regular review of world financial markets that exports to the US from the four main Asian Nics reached nearly $50bn last year, roughly the same as US imports from France, Germany and the UK.

Collectively they ran an estimated surplus of $30bn with the US, though in two of them —Hong Kong and Singapore— the surplus was offset by deficits elsewhere. In contrast Taiwan and Korea stand out as suffering from what Morgan calls "policy inertia" on trade and economic matters.

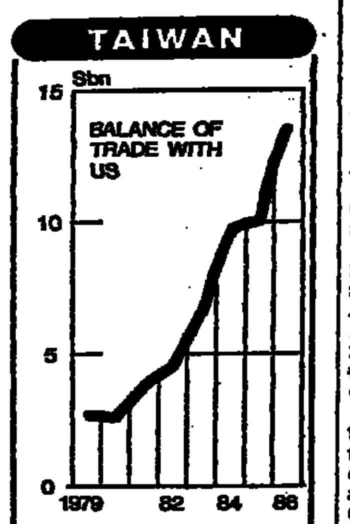
"Real progress will require that each country accept and implement a significant macroeconomic policy shift towards domestically generated expansion and pronounced currency appreciation," it says.

Taiwan's currency has fallen by 15 per cent in real terms since the start of the decade, while vis-a-vis the US the drop is 20 per cent. The Korean won has depreciated by a real 26 per cent against its trading partners generally and 28 per cent against the US dollar.

The limited measures taken so far by these two countries to allow their currencies to appreciate and ease import restrictions will suffice only to slow the growth of their current account balance of payments surpluses (estimated at $15bn in 1986 for Taiwan and $4.7bn for Korea), but will not reduce their overall level.

Still less will the measures put a big dent in their bilateral trade surpluses with the US of $13.6bn and $7.5bn respectively.

Morgan adds that the US authorities should concentrate more on negotiating the removal of obstacles facing US exporters trying to sell to these countries. Hitherto negotiations between the US and the Asian Nics have concentrated mainly on agriculture and intellectual property protection.



Taipei quickens pace of trade liberalisation

TAIWAN has quickened the pace of its trade liberalisation in the face of the appreciation of the Taiwan dollar and its massive trade suplus with the US, Bob King reports from Taipei.

Over the past year, the Government has lowered tariffs on an increasingly wide range of products. It has opened certain service industries, such as insurance, to limited foreign participation, and has expanded the range of others, such as banking, in which foreigners have operated for years. The Government is also to allow US manufacturers to set up sales and service facilities and remit profits overseas despite foreign exchange controls.

"Taiwan is clearly looking for ways to liberalise its trade," said one foreign businessman. "If for no other reason, because of the appreciation of the Taiwan dollar, they need to do more and on a faster schedule."

Another reason is Taiwan's trade surplus with the US, its largest trading partner, as well as its greatest supporter in international diplomacy.

Taiwan's surplus with the US reached nearly $13.6bn last year, up from about $10bn the previous year, despite efforts by both countries to correct the imbalance.

In December last year Taiwan agreed to open its beer, wine and cigarette markets following a threat of retaliation from the US Government. The move was then expected to increase US exports by about $150m in the first year.

During January, the surplus continued to rise, although by only a small percentage over the same period last year.

All Nippon signs deal for Airbuses

By Michael Donne, Aerospace Correspondent

ALL NIPPON AIRWAYS (ANA) of Japan has signed a contract for 10 of the new Airbus narrow-bodied A-320-200 150-seater airliners now under development, with a further 10 aircraft on option.

The deal is worth about $1bn including the options and spares. Delivery of the first 10 All Nippon A-320s is set for 1990-91. They will be used to replace Boeing 737s and to meet traffic growth on Japanese domestic air routes.

The ANA deal brings to 439 the firm orders and options for the A-320 from 16 airlines, comprising 275 firm contracts and 164 aircraft on option.

● Korean Air, the flag airline of South Korea, has signed a $1bn deal for four McDonnell Douglas MD-11 tri-star airliners, with an option on another four aircraft. The order for the new jets was first announced late last year.

Korean Air already operates McDonnell Douglas DC-10 jet airliners, and also makes components for McDonnell Douglas aircraft.

● Air Europe, the airline company which is part of Mr Harry Goodman's International Leisure Group, is discussing with Boeing of the US a deal involving five Boeing 757 twin-engined medium-range jet airliners and five short-range 737-400 aircraft.

AMERICAN NEWS

Spy trial indictment places strains on US-Israeli ties

BY ANDREW WHITLEY IN JERUSALEM

ISRAEL'S special relationship with Washington could be badly strained by a federal grand jury's indictment yesterday of Colonel Aviem Sella, an Israeli Air Force officer, on the grounds that he conspired with Mr Jonathan Jay Pollard, a civilian working for the US Navy, to pass on top secret military information.

Mr Pollard is expected to receive a heavy sentence when the ruling is handed down today.

The three-count indictment accuses Col Sella of recruiting Mr Pollard in the summer of 1984. The US-Israeli extradition treaty exempts espionage but the US Justice Department is resentful about Israel's lack of co-operation in the case. It would like to charge three other Israelis.

After simmering for months, US Government annoyance over the way in which Israel has tried to brush off [illegible] the affair surfaced publicly this week.

A protest was lodged by the US Embassy in Tel Aviv over the promotion of Col Sella.

The much decorated Air Force officer who fled Washington in November 1985 when Mr Pollard was arrested was recently named as head of the country's second largest air base. But the US has warned that if the spy handler is rewarded, day-to-day military co-operation with Israel could be affected.

Since 1985, Col Sella has been in command of a major air base in the Negev Desert, with the acting rank of Brigadier General. All attempts by US Justice Department investigators to question him have been blocked.

In Washington, US state prosecutors were due yesterday to seek a Grand Jury indictment against Col Sella and other Israelis including a former senior Mossad official, Gen Rafael Eitan, who is chairman of one of the largest state-owned enterprises.

The National Unity government has consistently denied that the Pollard spy ring, said to have been headed by Gen Eitan operating out of the Prime Minister's office, was anything more than a "rogue" operation. And it says the special intelligence unit, which according to Mr Pollard received an immense range of valuable information, was disbanded once its existence came to light.

But despite their promises to help get to the bottom of the affair, Israeli authorities have patently dragged their feet, hoping it would blow over once Mr Pollard was sentenced.

Responding yesterday to allegations made by Mr Pollard that he had been told his actions had had the approval of the highest levels of the Israeli government, Prime Minister Yitzhak Shamir asserted that all Israel's statements on the subject had been true.

● The Israeli army banned at short notice yesterday a memorial ceremony for a murdered Palestinian leader while anti-Israeli unrest flared in the occupied West Bank, Reuter reports from Jerusalem.

The army's central command ordered the al-Hakawati theatre in Arab East Jerusalem closed for 12 hours to prevent a ceremony marking the first anniversary of the assassination of Nablus mayor Zafer al-Masri by suspected Palestinian radicals.

An army spokesman said the measure was taken "after it was learned that a gathering of Palestine Liberation Organisation (PLO) supporters was to be held."

About 150 leading West Bank citizens, including the Moslem Mufti of Jerusalem, unaware the meeting had been banned, appeared at the theatre along with representatives of foreign consulates, and held an impromptu ceremony outside.

Unrest erupted in two areas of the West Bank following the fatal shooting of a Palestinian teenager by Israeli soldiers in Nablus yesterday, an army spokesman said.

Argentina sets date for mid-term elections

By Tim Coone in Buenos Aires

ARGENTINA'S crucial mid-term elections, in which over 11,000 national, provincial and municipal posts will come up for renewal, have been set for September 6.

To maintain its political and economic programme on course the Government will be concerned to keep its share of seats in the lower house legislature, the Chamber of Deputies, in which half the 254 seats will come up for renewal, and to win as many as possible of the 23 provincial governorships.

The key governorship is that of Buenos Aires province, in which 40 per cent of the electorate is concentrated. The party which wins the governorship is considered the most likely to win the subsequent presidential and legislative elections.

President Raul Alfonsin's term expires in 1989 and there is a danger he will become a lame duck leader in his remaining two years if the elections go badly for the ruling Radical Party.

At the legislative level this would happen if the Radicals were deprived of their thin absolute majority in the Chamber of Deputies.

Outstanding legislative proposals of the government would then almost certainly become bogged down

The choice of September 6 is a symbolic one which the Radicals hope will work in their favour. On that date in 1930, a military coup usurped a former Radical Government from power, initiating a long period of political instability which produced 15 military governments and only eight civilian ones over the past six decades.

With Argentina's judicial system immersed in bringing to justice some 250 military officials involved in the "dirty war" which followed the last military coup of 1976, the date symbolises the civilian powers of state asserting their power over the military ones.

Barbara Durr reports on the Peruvian president's conflicting policies

Garcia's image suffers a dent

WHEN President Alan Garcia came to office in July 1985, he perceived two enemies of Peru. On one side was the International Monetary Fund (IMF) and its politically unpalatable economic austerity recipes. On the other, the fanatical Maoist guerrillas of Sendero Luminoso, who had just celebrated their fifth year of armed rebellion.

Mr Garcia has since succeeded in putting the IMF on ice, but he has made little solid progress against Sendero Luminoso.

His latest anti-terrorist sortie, sending 4,000 police to raid three Lima universities, helps illustrate his problems on this front.

The unprecedented police operation captured a fair array of homemade bombs and bomb-makings, one sub-machine gun and less than a dozen pistols. One university guard, uninformed of the operation and resisting the unidentified intruders, was shot dead by police.

Nearly 800 people were detained, many of them beaten by police. Only 90 have so far been charged with terrorism, according to the vice-minister of interior, Mr Agustin Mantilla. Another 520 students were released.

While the operation generally won public approval, the long term political costs do not appear to outweigh the immediate benefits of public backing and a few more rebels behind bars.

The President stands on some dubious legal ground. He has been charged with violating the traditional and constitutionally protected autonomy of the universities which until now has made them off-limits for law enforcement personnel.

Mr Garcia contends that autonomy does not mean extraterritoriality. But the chief of the Peruvian Supreme Court has said that the rectors of the three universities were entitled to be informed.

Doubts remain, too, about the Peruvian Government's concern for human rights. The latest Amnesty International and US State Department reports on human rights in Peru point out how little has been done to investigate and bring to justice those officials responsible for the cold-blooded murder last June of over 100 rebellious prison inmates. Amnesty also raises a question over the disappearance of another 60 prisoners in military hands.

A student is arrested in last month's unprecedented police raids on Lima's universities.

To Mr Garcia's credit, he is moving to consolidate the three military ministries of the army, air force and navy into a single Ministry of Defence, probably with a civilian head. He is also attempting to reorganise Peru's dispersed and competing intelligence services.

Last week, at the president's initiative, Congress approved a new, tougher law on terrorism stiffening prison sentences for a minimum of 18 years.

President Garcia may also have undermined his Government's authority by bowing too readily to political pressures. Instead of a beginning to the long-promised strategy against terrorism, the university raids, in the words of one diplomatic observer, looked like "a cheap show" designed to pacify the ruling party.

By sending in the troops, Mr Garcia also revived a largely dormant student movement which is now more militantly opposed than ever to the Government. For a week after the raids, student protests denouncing the Government as fascist were violently broken up by the police.

If the President aimed to undercut recruitment in the universities by Sendero and the pro-Cuban guerrilla group the Tupac Amaru Revolutionary Movement, it is more likely he has achieved the opposite.

In addition, his efforts to clean up the Government—he has declared 1987 "the year of moralisation"—have proved rather sterile: the abusive police treatment of innocent students and reports of police vandalism at the universities confirmed the police reputation for corruption and brutality.

In the ideological battle for who holds high the banner of the right and the good, the police corps is a liability for the President. While Mr Garcia has already purged the police of over 3,000 corrupt officials, "moralisation" of its ranks appears to need more radical treatment than a weeding out of the worst cases.

Leaders of Apra (American Popular Revolutionary Alliance) have been pressing for tougher anti-terrorist action after an increasing number of assasinations of party militants. Apra has lost more than 230 militants since Mr Garcia came to office, but most disturbing was the murder on January 30 of a member of the Apra national executive committee, Mr Cesar Lopez Silva.

While Apra concern with self-protection may be justified, the President's actions, apparently on the party's behalf, paint him as overly partisan. As one student said: "Other people have died, too."

Moreover, the party is something of a moral liability for President Garcia. It is fraught with corruption, thuggery and a raw appetite for power.

The President, in a speech punctuated by four Sendero car bombs last Friday, told an 80,000-strong gathering of party faithful that they must clean up their act. He also hinted that rivalries with the democratic left must be set aside to win the fight against extremism. The response from the otherwise enthusiastic crowd was silence.

Apra has waited 60 years since its foundation to attain the presidency. It also holds 85 per cent of the Nation's municipal electoral posts and a majority in the Congress. This remarkable political position, thanks largely to Mr Garcia's charisma, is just beginning to be savoured — some would say abused.

Nonetheless, Mr Garcia wants to govern in co-operation with the moderate element of his main opposition, the left-wing coalition Izquierda Unida, in order to isolate further those who have taken up arms, according to his close friend and political advisor, Mr Carlos Franco.

In any case, it is unlikely that the Izquierda Unida would be willing to come under Mr Garcia's wing, believing that it will have a fair chance for the presidency in the election in 1990.

Perhaps as a reflection of these conflicting aims, President Garcia himself has an image problem. He has not yet managed to find a workable mix of Third World radicalism, where he scores high with his posture on the IMF, and a tough stance against insurgents at home.

As one observer drily commented: "He cannot fight insurgency and be the darling of the radical Latin American left."

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هكذا من الأجمل

How we turned £3.8m into

£85,000,000h

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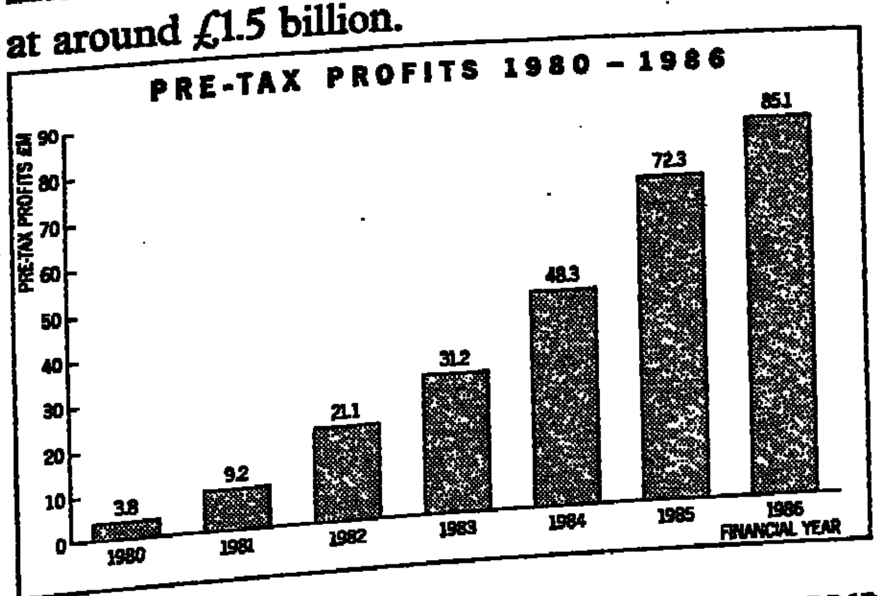

1986 has seen the sixth successive increase in annual pre-tax profit, 18% ahead of 1985.

Worldwide sales of £702.6m were also a record.

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Each of our three Divisions, Pharmaceuticals, Scientific Equipment and Horticulture performed well as significant players in their international markets. It is clear that they are poised for further advances.

With this background of sustained growth the Board intends to recommend a final dividend of 3.95p net (1985 3.34p net), making 6.5p net for the full year, an increase of 18%.

A scrip issue of one new bonus share for each share held, is also proposed. Approval for the issue will be sought at the AGM on May 19.

Earnings per share increased from 24.3p to 27.5p, up 13%.

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FISONS

THE RESULTS FOR THE YEAR ENDED 31.12.85 ARE ABRIDGED FROM THE FULL AUDITED ACCOUNTS FOR THAT YEAR AND HAVE BEEN FILED WITH THE REGISTRAR OF COMPANIES.

UK NEWS

National bargaining for Civil Service pay deal

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE TREASURY has struck a radical provisional pay agreement with the main trade union for scientific and technical civil servants that conspicuously embraces most of the pay bargaining practices attacked by Mr Kenneth Clarke, Paymaster-General.

The agreement stipulates an annual pay review; provides for negotiations to be constrained by a going rate of settlements elsewhere; makes arrangements for periodic comparability studies, implying job evaluation; and creates a strong single national pay scale out of 162 existing departmental scales.

All these practices were heavily criticised by Mr Clarke last month in a key policy speech aimed at private-sector employers. He said the Government, as employer, would set an example by moving towards regional pay variation and performance-linked pay.

The Treasury's outline agreement with the Institution of Professional Civil Servants (IPCS) does provide for extra merit-based pay increments for up to 25 per cent of the union's members, but it makes provision only for the future possibility of regional pay variation.

The Treasury said yesterday that it felt the agreement was "nearer Clarke than not" in terms of the minister's goals. But it said his agenda was "not toally realistic," adding: "Pay negotiations have to stay in touch with what is going on in the big wide world."

This surprising on-the-record comment to journalists came on the eve of today's meeting of the National Economic Development Council, to be chaired by the Prime Minister, at which the Confederation of British Industry (CBI) is to make a strong defence of pay determination in the private sector.

Sir Terence Beckett, CBI director-general, is to present a paper on pay which makes no mention of regional variation as prescribed recently not only by Mr Clarke, but by other ministers including Mr Nigel Lawson, the Chancellor, of the Exchequer.

Mr Lawson has himself been declaring the Government's firm intention of introducing regional variation into Civil Service pay. Yesterday, however, all the civil servants' unions except the IPCS received an across-the-board offer of a 4 per cent increase.

The provisional agreement with the IPCS is based on the principle of a single national pay "spine" for 89,000 staff in the Civil Service itself and in other bodies where pay is linked to the service.

The spine would run from £3,146 a year to £20,041 and would be subdivided into three "spans".

Cambridge Instruments plans to rejoin market after 20 years

BY PHILIP COGGAN

CAMBRIDGE Instruments plans to rejoin the stock market at the end of the month – after an absence of nearly 20 years and four rescue plans. The offer for sale of the scientific instruments group is expected to value the company at about £100m.

The company nearly came to the market two years ago, but abandoned the issue because of adverse stock market conditions.

Kleinwort Benson is planning to issue a pathfinder prospectus designed to appeal to both institutions and individual investors. About 30 per cent of the equity will be floated, with the bulk of the proceeds being used to pay off Cambridge's £15m of debts.

Cambridge's chequered history began in 1881 when it was founded by Mr Charles Darwin's son, Horace, and after being one of the pioneers in the field of electron microscopes, it was listed on the stock exchange in 1959.

But Cambridge proved stronger at technological development than at financial management and, in 1968, the Industrial Reorganisation Corporation arranged the first of three government-backed attempts to rescue the company.

The IRC intervened in a bid battle for Cambridge and backed the George Kent instrument group at the expense of rivals Rank.

After George Kent itself was taken over by Brown Boveri, the Swiss-based electrical engineering group, the National Enterprise Board bought the former Cambridge company and merged it with Metals Research. But even after a further cash injection by the NEB, losses were running at £3m a year by 1979.

It was at that point that the current chief executive, Dr Terry Gooding, a Welsh-born nuclear physicist turned businessman, took over the running of the company. Backed by Midland Bank, 3i and with £1m of his own money, Dr Gooding set about restoring Cambridge's fortunes.

New management was brought in, costs controlled and research and development spending reduced. The result was a return to profit within 18 months.

Pre-tax profits have climbed from £539,000 in the year to March 31, 1982 to £4.85m in the last year.

Cambridge has been considerably increased in size by the 1986 $50m purchase of Warner Lambert's Reichert Instruments division which specialises in optical equipment.

The enlarged group now has about 38 per cent of its turnover in scientific equipment (electron microscopes and image analysis) with 41 per cent in optical equipment (optical microscopes and opthalmic instruments), with the rest in semiconductor manufacturing equipment and in industrial products. More than half its annual sales of about £100m are now in the US.

Men and Matters, Page 16

Guinness seeks £5.2m paid over Distillers

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

GUINNESS has started legal proceedings in Jersey to recover £5.2m paid to a Jersey company in connection with Guinness's £2.7bn bid for Distillers last year.

Guinness is alleging that Mr Ernest Saunders, its former chairman and chief executive, and Mr Thomas Ward, another Guinness director, breached their fiduciary duty to the company by paying the £5.2m to Marketing and Acquisition Consultants (MAC), of St Helier.

Guinness alleges that the money was said to have been paid for services provided by "unidentified third parties" for research into Distillers' US wholesale network.

There is no evidence of any such services having been provided, Guinness alleges.

The Royal Court in Jersey last week granted Guinness an order freezing the money in an account in MAC's name with the National Westminster Bank.

The bank was ordered to disclose how much was in the account and to allow Guinness's lawyers to inspect and copy correspondence, cheques, statements and other documents relating to the account.

The bank later announced that it would comply with the order.

MAC and Mr Michael Dee, its director, were ordered to disclose all dealing with the account and particulars of the alleged services provided to Guinness and the names of those in Guinness and MAC who gave or received instructions in relation to them.

Last Friday, when all the parties appeared before the Royal Court for the first time, MAC indicated its intention to defend Guinness's claim for repayment of the money and was given three weeks to put in evidence.

The case is not expected to get to court for a substantive hearing for several months.

BP Oil profits increase 78% as prices fall

By Max Wilkinson

BP OIL, the UK refining and marketing arm of British Petroleum revealed yesterday that it increased its profit by 78 per cent last year, when crude oil prices fell by about 50 per cent and petrol prices by about 10 per cent on average.

The company said its profit for 1986 on a replacement cost basis rose to £182m from £102m in 1985. Most UK petrol companies achieved markedly better results last year because they were able to avoid passing on to consumers all the benefit of lower oil prices for much of the period.

Yesterday, Mr David Kendall, chief executive of BP Oil, said the improvement of the replacement cost profit reflected the benefits of radical restructuring over the past few years."

He said the financial pressures on the industry would be severe

Palace official to join Hanson

MR MICHAEL SHEA, the Queen's secretary, is to join Hanson Trust, the acquisitive UK conglomerate, one June 1 as head of public affairs.

Mr Shea, sometimes a controversial figure in his eight years at Buckingham Palace, was previously a career diplomate. He served in Bonn and Bucharest before becoming Director of the British Information Services in New York.

He will be based in London for Hanson Trust, but as half the company's trading profit came from the US last year, he is expected to spend some time in America. "His diplomatic background and his experience on both sides of the Atlantic will be very valuable to us," said a Hanson Trust spokesman.

Mr Shea, a Scot who writes political thrillers in his spare time angered ministers last July when he was suspected of being the source of claims that the Queen was critical of the Government's handling of relations with South Africa. He was also a controversial figure during the Queen's tour of China last year, when he clashed with Chinese officials and security personnel over the arrangements.

■ PRESCRIPTION charges are to rise by 20p to £2.40 per item to cover the cost of supplying diabetics with free disposable syringes, Mr Tony Newton, the Health Minister. told the House of Commons. His announcement follows pressure from all parts of the Commons over what some MPs saw as unfair treatment of diabetics who have previously been issued with re-usable syringes and needles, while heroin addicts have recently been supplied with free syringes in an effort to combat the spread of Aids.

■ COST of running London has risen by £178m since the abolition of the Greater London Council, according to research conducted by the Labour-led Association of London Authorities. The analysis, whose findings have been questioned by ministers and by Sir Godfrey Taylor, chairman of the London Residuary Body, claims that the cost of running the capital has increased by 21 per cent since abolition last April. At the time the Government claimed that abolition would save ratepayers substantial amounts of money.

■ AIRLINES and shipping companies bringing to the UK people who have not right to enter the country will face fines of up to £1,000 for each individual offence under legislation to be introduced by the Government in the House of Commons today.

■ SCOTTISH National Party will table a bill which would create a Scottish Mergers Board to protect Scottish industry against takeovers by companies based outside Scotland.

■ TOTAL OF 23 building societies, banks and other financial institutions linked their cash-dispenser machines in a new network called Link. The main participants are Abbey National and Nationwide building societies, Girobank and the Co-operative Bank. The network starts with over 700 cashdispensers. This is few compared with the 3,700-strong network launched by Bank of Scotland, Barclays Bank, Lloyds Bank and Royal Bank of Scotland on Monday. A network of 2,800 dispensers was established by National Westminster Bank and Midland Bank three years ago. Link, however, expects its network to expand considerably over the next year, as institutions join.

Bank plans to relax regulations on large underwriting risks

BY DAVID LASCELLES, BANKING EDITOR

THE BANK of England is proposing to relax its rules on large exposures as far as underwriting activities by banks is concerned.

This is in response to pressure from banks which argue that the rules which the Bank intends to introduce shortly would hamper their ability to underwrite issues of securities by their corporate clients.

In a new consultative paper on large exposures issued yesterday, the Bank said it recognised that the credit risks arising from banks' underwriting activities were relatively low, and that much depended on the skills and experience of the underwriter. This meant that a single policy was not feasible.

Instead the Bank will examine underwriting exposures on a case-by-case basis. Where it is satisfied that a bank has the skills and experience, it will apply the following rules:

- During the underwriting period, banks will be able to take on exposures equivalent to 60 per cent of their capital, instead of only 10 per cent in normal circumstances. If the exposure exceeds 60 per cent, it must be notified to the Bank after it has been entered into; if it exceeds 150 per cent it must be notified beforehand.
- The underwriting period will last from the commitment date until 15 days after the allotment date, or 28 days from the commitment date, whichever is sooner. After the period is over, the exposure will be treated like any other.

The Bank says that skills and experience cannot be assessed at short notice. Any bank wanting to engage in underwriting should discuss its plans with the Bank.

The rules apply only to single issues of securities, not revolving ones, and only to lead underwriters. As underwriters, banks take on large exposures to individual clients by agreeing to buy issues of securities if they cannot be sold to investors in the open market.

In all other cases, banks must notify the Bank of any large exposures they have to individual or related clients if they exceed 10 per cent of capital, and must obtain prior approval if they exceed 25 per cent.

The limitations on large exposures are provided for in the new Banking Bill currently making its way through Parliament. The measures are intended to reduce bank risks, and stemmed from the Johnson Matthey Bankers affair of 1984 when the small bullion bank nearly collapsed because it had made large loans to a small number of doubtful companies.

Row brews over rules on investment advice

BY NICK BUNKER AND ERIC SHORT

A ROW is brewing between the Securities and Investments Board (SIB), Britain's new investor protection body, and The Financial Intermediaries Managers and Brokers Regulatory Association (Fimbra).

Fimbra is expected to become the main self-regulatory body for Britain's life assurance and unit trust intermediaries.

In a letter to Mr Paul Channon, Secretary of State for Trade and Industry, Fimbra claims that the "disturbingly complex" rules set out by SIB for controlling investment advisers will result in several thousand small firms being put out of business.

Mr Mark St Giles, of Fimbra, challenges the Government and SIB to declare whether it is a matter of public policy to encourage the disappearance of smaller independent advisers.

Under the Financial Services Act, the control of investment businesses would be handled by SIB, with five Self-Regulatory Organisations (SRO's) under it, including Fimbra.

Mr St Giles claims that for efficient regulation, the SIB's rules must be easily understood by the ordinary practitioner and his client, or they will be ignored. He regards it as highly undesirable that Fimbra should have rules as complex as the SIB's.

He is especially worried that the SIB has been far too harsh in laying down the financial adequacy requirements for investment firms.

Fimbra warns that the SIB's proposals could result in large numbers of life assurance and unit trust advisers having to cease trading. Indeed, Fimbra forecasts "the virtual disappearance of the smaller independent investment adviser."

Finally, Mr St Giles is "highly sceptical" over the claim by SIB that better regulation will lead to sufficient growth of business to offset the additional costs.

Fimbra has been in constant discussion with SIB over the proposed rules.

However, Fimbra does back SIB in its fight against the banks and building societies over polarisation – the controversal ruling that life assurance and unit trust salesmen must either be completely independent, or become representatives of just one company.

US bid for Goldcrest

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

SHAREHOLDERS in Goldcrest, the struggling UK film company, are to vote on an American-backed rescue package at an extraordinary general meeting next month.

The takeover proposal would give Mr Earle Mack, an American property developer, an 85 per cent stake in the British group. It is being supported by Goldcrest's four largest shareholders – Pearson, the diversified group which owns theFinancial Times, Electra Investment Trust, the Coal Board Pension Fund and Noble Grossart, the Scottish investment house.

These four control 59 per cent of Goldcrest, only 16 per cent short of the 75 per cent which would be needed to approve a change of ownership. The rest of the shares are held by institutions and private investors.

UK NEWS

Third year of frozen prices for electricity

BY MAURICE SAMUELSON

ELECTRICITY prices to householders and industry will be frozen this year for the third year running thanks to lower coal and oil prices and the higher profits earned by the electricity industry by unexpectedly buoyant sales.

The freeze will reflect the continued stability of the wholesale price – the Bulk Supply Tariff (BST) – at which the Central Electricity Generations Board sells power to the 12 area distribution authorities in England and Wales.

The new BST, which accounts for 80 per cent of the prices paid by customers, means that in 1987-8, domestic tariffs, will be practically unchanged for the third year running, effectively offering a 3 per cent reduction in real terms over the current year.

The CEGB will also continue the special reductions, introduced last October, to heavy industrial consumers which cannot switch their plants exclusively to cheap off-peak electricity.

Mr John Baker, the CEGB's deputy chairman, who announced the new terms yesterday, said that power prices were set to continue for at least five years "and will offer favourable energy pricing in meeting overseas competition."

"The message is that the price of wholesale electricity is, for all practical purposes, not going up."

Thanks largely to last June's revised understanding with the British coal industry, the CEGB this year expects to make about £750m profit, after depreciation and before interest, from its anticipated £8.2bn revenue. Retail pre-tax profits by the Electricity Council would be about £1bn but there would be substantial liabilities next year because of corporation tax.

The hopes of further price restraint are pinned on a continuing fall in British Coal's prices over the next five years. Under the two utilities' revised understanding, an increasing proportion of more than 70m tonnes of coal delivered to power stations from British pits will be priced at prices reflecting international coal and oil prices with a corresponding fall in the tonnages sold at British Coal's own average cost price.

Over the next five years, it is intended that the first tranche of dearer coal will fall from about 50m to 40m tonnes a year, and the two cheaper tranches will rise from a current 22m tonnes a year to more than 30m tonnes.

One of them reflects international coal prices delivered to the Thames, and the other a combination of oil prices and foreign coal delivered to the Midlands.

British Coal's success in fulfilling this target will be measured in a new feature of the BST described as a "non-marginal energy charge," which is to be levied on area boards according to their shares of the electricity market.

Next year it will total £1.4bn, of which some £750m is estimated to reflect the penalty of not obtaining the entire British Coal tonnage at world-related prices. It therefore acts as a signal, both to the electricity consumer and to the coal industry, of coal's key place in the continuing quest for cheaper electricity.

With electricity demand expected to expand by at least 2 per cent next year, the CEGB expects to increase its orders from British Coal to 76m-80m tonnes compared with 73m-74m this year.

Barclays man faces challenge of sorting out export finance

BY PETER MONTAGNON, WORLD TRADE EDITOR

"A BLEND of change and stability" is what Mr Malcolm Stephens, export finance director of Barclays Bank, says he will bring to his new job as chief executive of the Government's Export Credits Guarantee Department (ECGD) to which he was appointed yesterday.

Yesterday he said that his time at Barclays had made him aware of what it was like to use the services of the ECGD as a customer.

His staff at the ECGD itself will doubtless be glad to know that this experience left him with "a generally positive" impression of the Department, but it should also help him meet one Government objective for the ECGD which is to be more responsive to the needs of the market it serves.

Mr Stephens said he would not be going to the ECGD "with a list of 27 things to be done in the first three months," but it is clear where the general problems lie.

Running the ECGD is a difficult job, which by many accounts has been hard for the Government to fill. Mr Stephens, 49, seems eminently well qualified. He combines the unusual experience of both a long career within the ECGD itself and, more recently, a senior private sector position.

With his appointment the Government has fulfilled its aim of recruiting from the private sector rather than from within the ranks of the Civil Service itself.

A graduate in Politics, Philosophy and Economics from Oxford University, Mr Stephens' easy-going and affable exterior masks a sound grasp of the ways of export finance. He joined the ECGD in 1965 after three years in the diplomatic service during which he served in Kenya and Ghana. By the time he left the Department to join Barclays in 1982, he was its principal financial officer.

Mr Malcolm Stephens: "blend of change and stability"

This curiously contradictory objective is one that underlines both the real challenge of the job and the needs of the Department itself.

Change is called for because of the increasingly competitive market for export insurance and because the ECGD must repair the damage to its finances caused by the developing country debt crisis.

Stability is needed to protect the Department against the ravages of the political crossfire in which it is caught as it tries both to support Britain's export effort and to meet the Government's requirement that it should operate on a commercial basis.

ECGD finances are in a difficult state largely because rescheduling of developing country debt has pushed up its borrowing from central government. This is expected to rise to £3bn by the end of the decade from £758m at the end of its last financial year in March 1986.

At the same time, the share of Britain's exports that it insures has been falling. It stood at just 23.3 per cent of non-oil exports in 1985/6. The world-wide slump in long term capital goods and project orders caused new business to fall away sharply.

Britain's exporters have increasingly shifted away from business in the riskier developing countries and the ECGD now also faces tough competition from the private insurance market for exports.

For Mr Stephens, all these are "fairly sobering features." The ECGD is not yet out of the woods. "On business done in the last two or three years you can see signs of a better outturn, but it's early days yet."

Going to the ECGD was thus a "very difficult" decision to take. It has meant a substantial cut in salary. Although he is to be paid more than the £43,000 at which the job was advertised, the remuneration is still within Civil Service salary scales.

It has also meant severing his ties permanently with Barclays. One idea canvassed during the recruitment process was that the ECGD should have a chief seconded from the private sector for a period of some three years, but Mr Stephens says this would have been impracticable because of the risk of conflict of interest in what he sees as the testing period that lies ahead for ECGD's relations with commercial banks.

So why has he decided to go back? First, because the job is a challenge, second, out of a sense of social duty and third because it is a job he says he wants to do.

Last but not least is the sense that despite its present difficulties the ECGD still has an important role to play. "If I didn't believe the department did have a good future, I wouldn't go back," he says.

Inner-city traders suffer steep increase in insurance premiums

BY NICK BUNKER

NEARLY one in four small businesses in Britain's inner cities has been forced to do without full insurance cover because of steep premium increases, says a survey published by Birmingham Council.

It shows that in parts of inner-city Birmingham hit by the 1985 Handsworth riots, traders have faced premium rises averaging more than 70 per cent. Asian and black traders are the biggest sufferers by far, the survey says.

Mr Albert Bore, chairman of the council's economic development committee, said the statistical evidence suggested that insurance companies were "red-lining" economically deprived areas of conurbations such as Birmingham, Leeds and London.

In the Lozells Road area of Birmingham – which was at the centre of civil disorders in October 1985 – nearly 40 per cent of businesses were trading without full cover, either because insurance companies refused to give it or because it was too expensive, the survey found.

It also revealed that in Birmingham as a whole the average premium rise at the last insurance renewal was 36.3 per cent for ethnic-minority owned businesses, but only 24 per cent for white traders.

The London Borough of Lambeth, which yesterday released a parallel inner city insurance survey, said that the effects of insurance company decisions were "that black businesses are being discriminated against."

The Lambeth survey, conducted by Thomas R. Miller, a Lloyd's insurance broker, showed that underwriters at Lloyd's of London were significantly quicker than company underwriters to insure inner-city businesses in Brixton.

Yesterday's publication of the two surveys marked the climax of an 18-month campaign by the two local authorities in response to what they see as an insurance crisis undermining attempts to regenerate inner-city economies.

Mr Bore said that Lambeth and Birmingham now planned to meet Mr Kenneth Clarke, the Paymaster-General, on April 2 to discuss their findings. They were also seeking urgent talks aimed at resolving the problem with the Association of British Insurers, which represents more than 400 insurance companies.

Birmingham and Lambeth commissioned their surveys from independent researchers after talks with the ABI last autumn. Those talks led to a joint ABI/Department of Employment scheme to provide advice for inner city businesses facing difficulties in obtaining insurance.

Both local authorities were dismissive yesterday, however, about the scheme's impact, which they claimed had attracted few inquiries because of a "lamentable" lack of publicity. "It has been a complete shambles," said one Lambeth council officer.

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UK NEWS

Management buys out British RCA division

BY CHARLES BATCHELOR

THE BRITISH management of the RCA Service Division has bought their company from General Electric Company (GE) of the US in a £14m deal announced yesterday.

The RCA division, which is UK-based, provides design and management services to the Ministry of Defence (MoD) and the European Space Agency (ESA).

This buy-out is the second deal aimed at restructuring RCA following the $6.28bn agreed takeover by GE – the largest non-oil merger in the US – agreed in December 1985. Last September, Bertelsmann, the West German media group, bought RCA's music business.

The RCA Service Division made an estimated pre-tax profit of £1.8m on turnover of £30.5m in 1986, compared with profit of £1.7m on sales of £25.6m the year before.

It employs more than 2,000 people on contracts ranging from operating and maintaining the Fylingdales early-warning radar in Yorkshire, northern England, operating computers for the ESA in four European countries to running MoD firing ranges.

The buy-out was headed by Dr George Gray, managing director of the division, and seven other senior managers. They have put up £256,000 of their own money for a stake of just over 20 per cent in the new company's equity.

The company, for which a new name will be chosen later this year, will have £756,000 of ordinary shares and £4.5m of preference shares. The rest of the £14m buy-out cost takes the form of a medium-term bank loan and £2m–£3m of cash which was on the division's books already.

The company plans to issue about 8 per cent of its ordinary equity free to its employees.

Granville, the investment banking group, arranged financing from its own development capital funds, Barclays Bank, Barclays Development Capital, CIN Industrial Investments, County Bank, Legal and General, Lloyds Development Capital and Schroder Ventures.

The management has not yet decided on whether it ultimately plans to seek a public listing and the financial backers have said they will take a long-term view of their investment, Dr Gray said.

The company, which is based at Sunbury on Thames, Middlesex, in south-east England expects to continue the steady profits growth of recent years in 1987 and turnover is forecast to rise to £34.5m. About 90 per cent of this year's turnover is already provided from long-term contracts.

"GE saw us as specialists in the European defence and space markets which could better be served by local management," Dr Gray said.

New talks on Damon Biotech project

By James Buxton

THE Scottish Development Agency (SDA) is renegotiating a project under which Damon Biotech, a leading US biotechnology company, would establish a manufacturing operation at Livingston in central Scotland.

The Boston-based company has just completed a six-month-long review of the project which was agreed with the SDA in July 1985. Since the review began there has been no work on the plant at Livingston.

Yesterday a spokeswoman for Damon Biotech was unable to say when the renegotiation would be complete and when the plant would begin operating.

In an interview with a Scottish newspaper, Mr George Mathewson, chief executive of the SDA, did not disagree when it was suggested that there could be delay of two years before the plant – originally scheduled to begin functioning by the end of this year – came into operation.

The SDA persuaded Damon to establish its European plant at Livingston thanks in part to generous financial assistance. Damon was to contribute only $3m (£1.9m) to the cost of the facility, which was originally put at $40m.

Damon said yesterday that the project had been reviewed partly because of improvements in the productivity of the technology which the plant would employ, and partly because the company was now thinking of producing a different product at the plant.

It was originally intended to make monoclonal antibodies, but Damon now considers the manufacture of tissue plasminogen activator (TPA) as being at least equally important.

Biotechnology products have taken longer than expected to obtain approval from the US Food and Drug Administration and the UK Council for the Safety of Medicine.

Very few monoclonal antibodies have yet won approval either in the US or Europe which means that the much predicted expansion of the market for biotech products is likely to occur later than had been expected.

The Damon spokeswoman said that she saw no possibility of the project not going ahead.

Options market will list 100 FTSE shares

By Alexander Nicholl

THE London Stock Exchange's traded options market plans to list options on all the 100 constituent shares of the Financial Times-Stock Exchange Index by the end of next year, Mr Geoffrey Chamberlain, new chairman of the traded options commitee, said yesterday.

Expansion of the number of contracts traded from the current 45 equity options will mean the addition of two new ones each month – this month will see Sears and Plessey entering the market – building up to a faster pace later.

The exchange is also considering listing options on foreign stocks.

The options market is to be the only remaining inhabitant of the stock exchange floor, following a decision to halt equity and gilt business there because most trading now takes place via screens and telephones.

February saw record business on the options market at 1.06m contracts, compared with 380,869 in the same month of 1986. Open interest – the net amount of positions outstanding – rose to 789,952 contracts, representing a value of £3.46bn.

Privatise prisons on US lines, says report

BY ALAN PIKE, SOCIAL AFFAIRS CORRESPONDENT

BRITAIN should attempt an experiment in prison privatisation on the basis of US experience, a report from the Adam Smith Institute says today.

The institute, a market economics think-tank, argues that privately managed prisons in the US are less costly, much more quickly built and provide better conditions for inmates.

There are some signs of growing political interest in Britain in the idea of privately run prisons. The report encourages this, accusing the present Government of having so far adopted a "passive, unimaginative attitude to our disintegrating prison system."

The introduction of private prisons in the US as a partial solution to overcrowding and escalating costs, says the report, has led to a much superior service being delivered at lower cost. But more important than the cost savings was the increased sensitivity with which private organisations treated prisoners.

"All the private prisons have tried hard to create a more friendly, relaxed atmosphere. Out have gone the guns, militaristic uniforms and harsh attitudes, and in have come relaxed dress codes, greater comforts and increased respect for the inmates."

In spite of offering improved services, private companies were able to operate at a lower cost to the taxpayer. "This should not be a surprise because contracted-out services throughout the world routinely cut costs by around 20 to 40 per cent."

The report argues that bids from the private sector should be invited for the construction and operation of new prisons in Britain, with a private remand centre in London the first priority.

Favourable treatment should be given to private prison companies formed by public-sector prison employees and, says the report, US private prison organisations should be invited to advise on the progress of privatisation in Britain.

The Prison Cell; Adam Smith Institute, PO Box 316, London SW1P 3DJ, £8.

The trouble with being a middle man is, you get attacked from both sides.

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MANAGEMENT

THERE WAS an atmosphere of nervous excitement on the American Motors Renault stand at the Chicago motor show last month. For the first time since taking over at the top of the French state-owned car group two months ago, Raymond Levy was paying an unexpected visit to AMC, the troubled US car maker which is 46 per cent owned and managed by Renault.

Levy's presence coincided with probably the most crucial new product launch in the American company's history—a car which most industry analysts believe will make-or-break the French group's investment in the American car market.

"This could well be the last chance for Renault," commented an executive from a rival Detroit car group. For ever since he was appointed at the head of Renault to replace Georges Besse, the former chairman killed by terrorists last November, there has been growing speculation that Levy may be tempted to cut his losses and beat a retreat from the US car market. Renault has sunk $750m there during the past seven years.

In front of the impassive new chairman, a huge black glass box hid the new American built saloon car Renault and AMC are launching on the US market later this year.

As the new six seater intermediate size saloon called the Renault Premier was revealed for the first time amid flashing lights and music, Levy, stony faced, refused to be drawn on his future plans for Renault in the US. "I'm not Superman or Zorro; give me a little time," said the former oil and steel industry executive who has no previous direct experience of the car business.

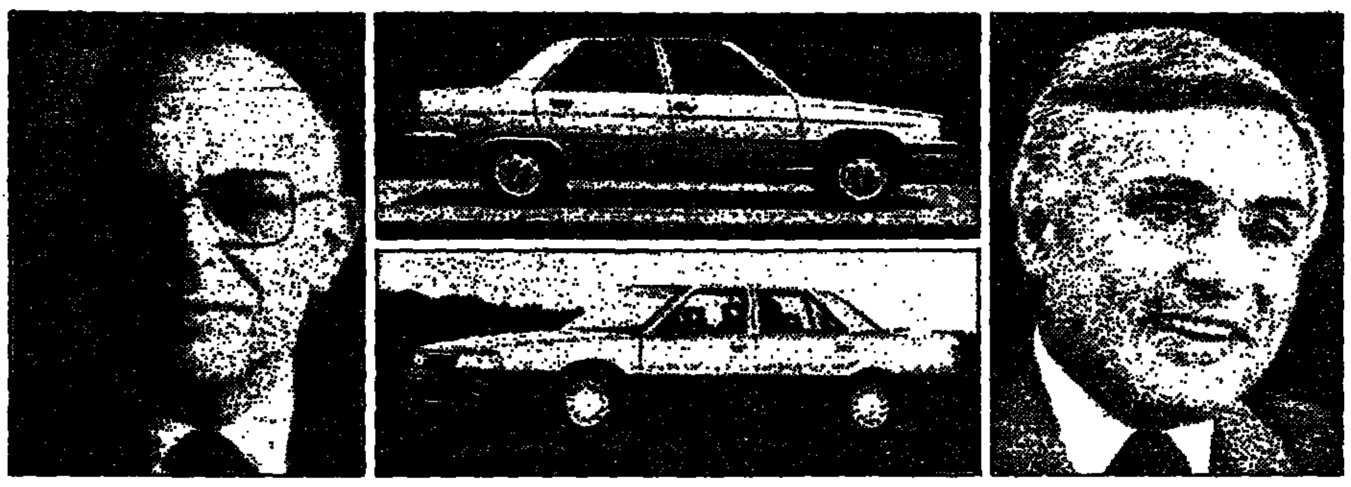
However, pressed by journalists, he said his main task was to ensure that Renault, which has lost more than FFr 25bn (£2.7bn) during the last three years, returns to profit and that his decisions on AMC would be taken on that basis. He added that he was not in America "to pass judgment on the past" but the past, he acknowledged, would clearly provide important lessons.

Indeed, Renault's experience in the US in the last seven years has become a classic example of the problems, difficulties and errors encountered by a large French state enterprise, attempting to invest in and penetrate the US market. Renault signed its original agreements with AMC in 1978 and 1979 which led to the French company gaining 46.4 per cent and management control of the smallest of the US auto makers in 1980.

Renault and AMC

Facing up to a critical test

Paul Betts explains the French group's driving ambitions in North America



Raymond Levy (left and Jose Dedeurwaerder: AMC had initial success with the Alliance (top); hopes are now pinned on the Premier range

At about the same time, Renault also acquired an initial 20 per cent stake for $115m in Mack Trucks which has subsequently been increased to 42 per cent. Both the AMC and Mack deals were designed to give Renault's car and truck operations a firm foothold on the US market.

"If you want to be a world car group you cannot ignore the US; it accounts for 30 per cent of world car sales and 50 per cent of profits," explains Jose Dedeurwaerder, Renault's worldwide commercial director and one of the architects of Renault's US car strategy.

Before gaining control of AMC, Renault had for years been trying — without success— to penetrate the US market. In the early 1960s it had initial success in selling its small Dauphine in the US, but the lack of a dealer and service network there and failure to adapt the car to the needs of the American consumer turned many US buyers against the car.

The Dauphine gave Renault a bad image in the US for several years. What is more, the French company had enough trouble, and indeed still does, to build up an identity and image of its own on the US market.

After failing to make any headway with exports, Renault, then at the height of its expansionary phase, decided to establish an industrial presence in the US. "We had two choices. We could start from scratch like Volkswagen building our own facilities. But that would have cost at least $1.5bn. Or we could find an American partner which would cost less," explains a Renault official.

However, although less expensive, there were clear risks in gaining control of AMC. The Detroit auto maker had been looking for years for a partner to take it out of the doldrums. Several European car makers looked at AMC, including the Peugeot group and Fiat, but decided to steer clear of it. But Renault considered that AMC would give it the opportunity it had been seeking to establish itself in a lasting fashion in the US.

Since 1982, AMC has lost a total of about US$500m. The only recent year it made a small profit was in 1984 when it earned US$20m. Last year AMC lost US$91.3m compared with US$125m in 1985.

Renault today acknowledges that it made a number of errors and faced unforeseen difficulties in its American car venture. Perhaps the biggest was to try to rely initially on only one, particularly competitive, segment of the US passenger car market. To launch its new American products, Renault chose the subcompact or small car market which accounts for about 18 per cent of the total American passenger car market and where profit margins are much lower than for bigger cars.

Its cars — the Alliance and the Encore, American versions of the Renault 9 and the Renault 11 respectively — at first sold well beyond the French company's expectations. In 1984, sales of the two peaked at 190,000 cars in the US and Canada. But faced with growing competition from Japanese models in this market segment, Renault's sales started to decline and profit margins steadily eroded.

Moreover, the French group had made a technical error in underpowering the Alliance and Encore.

The feeling at the time was that with the energy crisis, American consumers would be attracted to low fuel consumption engines. But when oil prices started falling again, the American car buyers returned to their traditional preference for large powerful engines giving strong starting acceleration. "We have now corrected this. All our new cars have large engines" the Renault official explains.

Even after its unhappy experience with the Dauphine, Renault and AMC appear to have continued to underestimate the growing demand for after-sales service from American consumers. "It was not only Renault. In the 1980s all the US car producers discovered that the demands of US consumers were growing faster than the auto-makers could provide," says Francois Castaing, AMC's French vice-president for product and quality. "But I agree that perhaps we did not devote enough attention to the importance of convincing our dealers to improve customer service."

Castaing believes that Renault has now overcome its biggest hurdles in the US and that AMC should break even this year and return to profit in 1988.

By the end of this year Renault will have extended AMC's pasenger car range so that it will cover about 60 per cent of the North American market. It will include the new Premier intermediate size saloon which will be built at a recently completed $675m state-of-the-art car plant at Bramalea in Ontario, Canada, which next year will also assemble a sports coupé version of the Premier.

In the compact car segment, Renault has just launched the Medallion, an American version of its successful European Renault 21.

Renault's target is to sell in a full year 50,000 Medallions, 80,000-90,000 Premier, and 60,000-70,000 Premier coupés in those North American market segments which average about 4.4m car sales a year. With this level of sales and the US dollar at around FFr 6.30-FFr 6.20, Renault believes it could finally turn in a profit from its costly venture.

However, the decline of the dollar below the FFr 6 level has increasingly worried Renault, which expects to see AMC import from France up to $600m worth of cars and parts this year with the amount rising to $1bn next year and $1.5bn in 1989 when the new car range comes full stream. Coupled with the dollar problem — only partly offset by car price rises in the US — and improved productivity, Renault is also launching new models at a time when competition is heating up again on the US market.

For Renault time is running out in the US. During the past two years the French group has had radically to tighten its belt. Georges Besse, the chairman killed by terrorists, launched a major restructuring of the group recentring Renault on its core French motor business.

This restructuring has started to bear fruit with Renault substantially reducing its losses in France, halting the rise in its indebtedness, and regaining domestic market share. But Besse, engaged essentially on Renault's domestic priorities, had not made up his mind about the future of AMC when he was shot. He is said to have been initially tempted to hive off AMC but subsequently adopted a "wait and see" attitude in order to judge the success and failure of the new American car range and AMC's efforts to become profitable again.

Moreover, Besse was interested in eventual collaboration between AMC and other car groups. Indeed, some analysts suggest that Renault — if it felt it had little other option — could eventually disengage itself gradually from the US by shedding part of its stake to another partner. "But to do that, you first have to interest a partner and turn the situation around at AMC," says a US car industry analyst.

Pressure on Renault has also come from the critics of its American investment policy in France. In contrast, Renault's investment in Mack Trucks has not provoked the same critical attention as AMC—partly because the investment has been less costly and Mack has fared better than AMC. The truck group is expected to break even in 1986 after losing $59m in 1985. But the 1985 loss included a $68m restructuring provision.

Levy has so far said that he intends to pursue his predecessor's recovery strategy and accelerate it to bring Renault back into the black as soon as possible. In Detroit this month for his first visit to AMC he took a good hard look at the American company's books.

Although he would not comment on his first impressions or his plans for AMC, he suggested that the question Renault had to ask was "how much money you can earn from AMC, how much dividend AMC can give Renault, and how much our investment will earn."

The collected works of an eminence grise

Michael Skapinker reviews Peter Drucker

PETER DRUCKER has no interest in managing people himself. "It bores me stiff," he says. But it would be difficult to over-estimate his contribution to management thinking, expressed in more than 20 books and countless newspaper and magazine articles.

"The Frontiers of Management"* is yet another Drucker book, this one consisting mostly of his journalism: articles which have appeared in the Wall Street Journal, Forbes, the Harvard Business Review and other publications over the past six years.

He says that all the essays and articles were intended from the start to be published in one volume as variations on a unifying theme: the challenges of tomorrow which face the executive today. That is a fairly wide brief, of course, capable of encapsulating virtually anything. The collection really has no unifying theme, save for Drucker's endless capacity to interest and stimulate.

The articles range from a prescient 1982 piece called "Why Opec had to fail," an article on the way to measure white-collar productivity, to the question of whether trade unions have become irrelevant.

At the age of 77, Drucker is not given to false modesty. He is, he reminds us, one of three Americans (the others are Edwards Deming and Joseph Juran) whom the Japanese regard as mainly responsible for their economic recovery after the Second World War. Deming taught the Japanese statistical quality control and told them about quality circles. Juran taught them how to organise factory production. "My contribution, or so the Japanese see it, was to educate them about management and marketing," Drucker writes.

His involvement with Japan began as a fascination with Japanese art, and then moved on to "a still largely unexplained mystery: how did the Japanese, alone of all non-Western people, manage to build a modern nation and a modern economy on technology and institutions imported from the West and yet, at the same time, maintain their basic national identity and integrity?"

Everyone talks about Japan, he says, but why are there no best-selling books and seminars on "what we can learn from the Germans"? The West German economic performance, he says, "is every bit as impressive as that of the Japanese, and more solid".

In 1985 West Germany's share of world trade in industrial goods was 17 per cent. Japan had 16 per cent and the US 20 per cent. Per capita, Germany's industrial exports are almost four times those of the United States and twice those of Japan.

German exports are also better balanced than those of the Japanese. The Japanese have one dominant customer, the US, which accounts for almost half the total overseas sales of its major export industries. Other than Porsche, the automobile group, no German company sells more than one-tenth of its exports to the US.

Germany's much-praised apprenticeship system provides part of the explanation for the country's success, Drucker says. But the real secret is the way in which German industry makes international competitiveness its overriding priority.

Even fairly small companies always ask whether a decision will strengthen or weaken them in world markets. It is, too, the question a German banker will ask when deciding whether or not to finance a company. "It is also the one management argument to which, at least so far, the German labour unions have been willing to listen."

Germany does have a weak spot, however: its high-tech industries. "It is well behind in computers, microelectronics and telecommunications," he writes.

But then Drucker is no great admirer of Europe's approach to high-tech generally. Europeans seem to believe, he says, that high-tech enterprises can flourish without a base in a wider entrepreneurial economy. High-tech industries are crucial, but they will provide tomorrow's jobs, not today's. The way to fight unemployment in the meantime is to concentrate on "low-tech" and "no-tech" industries. The US has got its new jobs from makers of toys and running shoes, from ethnic restaurants and low-fare airlines. And these are the jobs the Europeans do not seem to want, he says.

* *The Frontiers of Management, William Heinemann, £14.95.*

FT LAW REPORTS

Three men in a boat cannot claim salvage

THE GORING

Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice Ralph Gibson and Lord Justice Bingham): February 25 1987

A VESSEL rescued in non-tidal waters cannot be subject to a claim for non-contractual salvage.

The Court of Appeal so held, Sir John Donaldson MR dissenting, when allowing an appeal by owners of the Goring from Mr Justice Sheen's refusal to strike out the plaintiffs' claim for salvage.

Section 20 of the Supreme Court Act 1981 provides: "(1) The Admiralty jurisdiction of the High Court shall be . . . (a) to hear . . . claims mentioned in subsection (2) . . . (2) The . . . claims referred to in subsection (1) (a) are . . . (j) any claim in the nature of salvage . . . (7) The preceding provisions of this section apply: (a) in relation to all ships or aircraft, whether British or not . . . (b) in relation to all claims, wherever arising. . . ."

SIR JOHN DONALDSON MR, in a dissenting judgment, said that shortly before midnight on September 14 1984 three men were in a small ferry boat on the Thames above *Reading* bridge. They sighted the Goring, a large passenger vessel, unmanned and drifting gently towards the weir.

They got a line aboard her and managed to pass it to two men on De Montford Island who made it fast. All five hauled her to a vacant mooring where she slept peacefully till morning.

The five men and the owner of the ferry claimed salvage remuneration. When it was refused they began the present action in the Admiralty Court.

The owners of the Goring raised the issue whether there was any right to salvage remuneration where the service was rendered in non-tidal waters. On an application to set aside the writ Mr Justice Sheen held the writ disclosed a good cause of action, though he expressly discouraged any proliferation of very small claims.

The owners appealed. They submitted that an essential element in a salvage claim was that the danger which was averted must have existed when the vessel was in tidal waters.

The current source of the Admiralty Court's jurisdiction was section 20 of the Supreme Court Act 1981. That contained no reference to tidal or non-tidal waters. Instead it conferred and confirmed jurisdiction by reference solely to subject-matter.

The inescapable conclusion was that the Admiralty Court had jurisdiction to determine a salvage claim wherever the services had been rendered.

The principles on which the law of salvage was based were: first, equity—that a volunteer who expended his time or hazarded his life for another was entitled to reward; second, public policy—that it was in the interests of a maritime trading nation that potential salvors should be encouraged; and third, that there should be some degree of uniformity in the maritime laws of nations, because of the international character of the carriage of goods by sea.

Article 1 of the Brussels Convention 1910 relating to salvage at sea referred to "salvage of seagoing vessels . . ." and by seagoing vessels to vessel of inland navigation or *vice versa* . . ."

The ferry was a vessel of inland navigation. The Goring was a seagoing vessel in the sense that she would have been as at home in the estuarial waters of the Thames as above Teddington lock and, given reasonable weather, was suitable for use in coastal waters.

There was no rational basis for confining the cause of action to tidal waters. The voyage over tidal and non-tidal waters was a single maritime adventure and should not attract wholly different rights and obligations by reference to tidality.

The cause of action existed in respect of waters which were navigable from the sea. The appeal should be dismissed.

LORD JUSTICE RALPH GIBSON, in a majority judgment, said that the maritime law of salvage had never applied to non-tidal waters and should not now be extended.

If a doctrine of necessitous intervention were capable of being developed it should not extend beyond recovery of expenses and exceptionally, remuneration for professional services.

If the right to salvage were held to apply to non-tidal waters it would extend to any vessel not propelled by oars. Claims would arise in respect of private pleasure craft, large or small. If it did not extend to non-tidal waters the owners must depend, as they had hitherto, on voluntary acts of benevolence performed as moral duties, or on contractual arrangements.

Mr Justice Sheen's expressed hope that his decision would not encourage proliferation of very small claims would be unlikely to prevent the making of such claims.

The law of salvage was justified in public policy in the nature of the perils of the sea. There were at sea no neighbours, no public services such as fire brigades, and few passers-by to provide assistance.

On land different circumstances had produced different rules of law. At some point the policy based on the nature of perils at sea ceased to be compelling and the reach of the maritime law of salvage had to end.

As to the desirability of conforming with other maritime law systems, the Brussels Convention and the Crown's treaty obligations could not be regarded as requiring or justifying extension of salvage law to non-tidal waters. No litigation was passed with the purpose of achieving that result, or of enacting article 1 of the Convention.

Any action to change the law to comply with article 1 should be effected by legislation.

The appeal was allowed.

LORD JUSTICE BINGHAM said that article 1 of the Convention had never been enacted into UK law, and in any event applied only where at least one sea-going vessel was involved.

The Supreme Court of Judicature (Consolidation) Act 1925 provided in section 22 that the High Court had Admiralty jurisdiction to hear and determine any salvage claim for services rendered "on the high seas or within the body of the county. . ."

It was clearly understood that that meant "on the body of the high seas or any part of the high seas which lay within the body of a county."

There was no reason to infer an intention to depart from that long-standing rule.

The High Court's present jurisdiction was provided by section 20 of the Supreme Court Act 1981. The plaintiffs relied on "wherever arising" in section 20 (7) (b) as showing there was no limitation to high seas and tidal water.

That was not accepted. The language was intended to make clear that the court's jurisdiction to entertain claims arising far away from the UK was preserved.

The Admiralty Court lacked jurisdiction to entertain the present action on grounds of both subject matter and locality.

Jurisdiction to entertain a claim for reward for assistance to a pleasure-craft in non-tidal inland water had never been conferred on or exercised by the Admiralty Court.

The appeal was allowed.

For the Goring: Geoffrey Brice QC and Elizabeth Blackburn (Shaw & Croft)

For the Plaintiffs: Belinda Bucknall (Ingledew Brown Bennison & Garrett)

Rachel Davies
Barrister

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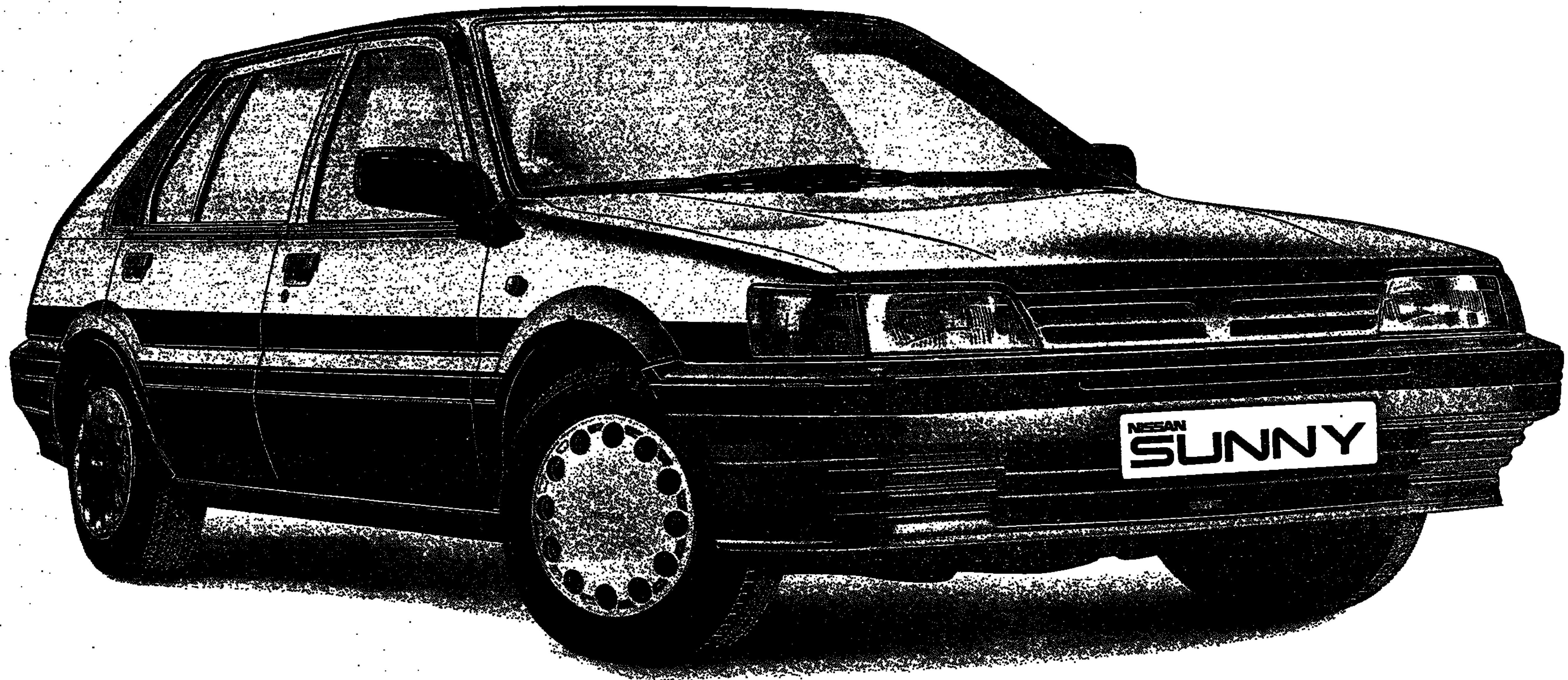

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THE ARTS

Television/Christopher Dunkley

Never underestimate Auntie

The outbreaks of optimism are becoming more frequent on the poop deck of the BBC this week, although a cautious atmosphere of "wait and see" still prevails. The higher ranking staff do at least have some experience of working with the accountant Michael Checkland whose appointment as their new Director-General seemed to cause such surprise everywhere except in this column where he topped the list of three a fortnight ago. Those on the Corporation's production side, who need budgets to make programmes, express a high regard for Mr Checkland who, they say, has always seen it as his function to use the financial levers to help them do their job.

Moreover the BBC's strategy conference at Stratford-on-Avon at the weekend seems, by all accounts, to have been a considerable success, with governors and management determined to get on together after all the talk of schism.

But at Stratford people were on their best behaviour. The caution on the poop deck is caused by uncertainty about future relations, once everybody gets back into the daily swing of things, between the new D-G and the other members of the board of management on one side and the board of governors on the other. The very feeling that there are two sides is indicative of the BBC's troubled history. Mr Checkland galloped up the BBC hierarchy via an inside lane opened up by the then chairman of the governors, Stuart Young (a fellow accountant who felt the BBC needed more financial expertise on the board of management) and he has been appointed to the top job by the governors.

So the question worrying some of the higher ranking officers is whether Mr Checkland will identify too much with the governors, allowing them finally to begin taking over the *de facto* running of the Corporation as they threatened to during the *Real Lives* crisis, or whether he will have the skill and guts to move back the other way towards the position occupied by the late Hugh Greene in the sixties when it was the D-G's vision, above all, which decided the course of the BBC.

It is encouraging to learn that Checkland gave "a very short answer indeed" to the suggestion that he take David Dimbleby as his deputy, an appointment which would have particularly pleased Marmaduke Hussey, the chairman. Hussey's original desire to see Dimbleby as D-G became well known and — whatever Dimbleby's virtues—it is encouraging to find Checkland willing to stand up to the chairman.

However, lower down the ship, on the Corporation's gun-decks, where few people know the new D-G very well, the atmosphere is still one of vague gloom. It is not that anybody has anything particular to say against Mr Checkland, but many programme makers speak of a missed opportunity. Having recently seen the BBC attacked so often by the Tebbit, Whitehouse and Fleet Street brigades, many programme staff longed to have a tough programmes man appointed as their leader. They accept that Mr Checkland may be an outstanding accountant, but they still do not understand how anybody could choose a money man to lead the world's biggest programme production house when those volunteering for the job included Jeremy Isaacs.

Trevor Humphries

Michael Checkland, under predecessor Lord Reith

They clearly see Isaacs as a man much like themselves who made it big. Isaacs produced *The World At War*. Isaacs was the only television executive — BBC or ITV — with the courage and shrewdness to back the script of *The Naked Civil Servant*, that explicit biography of the flamboyant homosexual Quentin Crisp, which in the end won a cascade of awards. Isaacs was the man who, when the IBA banned an edition of *This Week* about the police in Northern Ireland, offered the footage to his competitors on BBC's *Nationwide* who did not come under IBA authority. Above all Isaacs virtually invented Channel 4 in the form we see it now; he launched it, has run it, and won international acclaim for its unique structure and schedules.

These very facts which appeal so strongly to programme producers may have caused wariness among the BBC governors. Mr Hussey is relatively new and, to his credit, has already shown by his tough responses to Norman Tebbit that he is no Tory pussy cat. But generally speaking the governors have not been best known in recent years for championing freedom of expression. Who knows how much effect Mary Whitehouse may have had in pointing out to the governors and to those in Downing Street that Mr Isaacs had used his freedom of expression to screen works such as *Sebastiane* and *Jubilee* and the movies in the "red triangle" slot on Channel 4.

The BBC powder monkeys, whose first thoughts are for the programmes they make, saw Isaacs as the man who could be relied on to lead a Corporation counter attack against the forces of darkness, obscurantism and censorship. But on the pool there is an altogether different view of the priorities; up there they see twin fireships descending upon their vessel.

From one side comes a government in love with market forces and actually showing signs at last of practising in broadcasting what it preaches elsewhere: de-regulation and consumer choice. Already they have manacled the BBC licence fee to the RPI (meaning an income growing at a rate below that of the inflation rate in the broadcasting industry) and published a Green Paper containing plans which could do for radio what the introduction of ITV did for television in 1955. With all that on the port bow the BBC looks to starboard only to see the global media moguls bearing down with their satellites and cables, threatening a programme contest in which the only law might be Gresham's.

Seen from this point of view, what the BBC needs now is not a man who will be primarily concerned with championing *Real Lives* or preserving intact the sex scenes in *The Singing Detective*—not necessarily a programme man at all—but somebody who understands the resource management of the Corporation without even having to think about it, and who can batten down the hatches, cut away all extraneous decoration, and jettison every last ounce of unnecessary bureaucratic ballast so that, when the time comes to break out the battle ensign in earnest, the ship is as light, fast and manoeuverable as it can possibly be and already heading in the right direction.

Judging from the few occasions when I have met Mr Checkland, his pre-eminent concern has always been to increase the BBC's cost-effectiveness by ensuring that maximum resources go into programme making and minimum effort into everything else. It looks like a philosophy whose time has come. The programme details can be handled by experienced colleagues and three more high level staff changes are expected within the next few weeks.

Inside the Corporation it is widely believed that when Mr Checkland went for his interview with the governors he took with him a plan for changes in the drama departments. The idea, it is said, would be to shed staff from the payroll and buy in more drama from independents . . . many of them, no doubt, the very people shed from the payroll. Channel 4's system suggests that this sort of arrangement can, indeed, result in lower programme costs. Whether Mr Checkland really does have such a plan is not certain, but it is clearly the sort of approach which is going to be necessary if the BBC is to achieve the 25 per cent of independent content on which the government has set its sights.

But it is not simply a question of cuts. Even as early as the Stratford strategy conference it became clear that there was a new spirit in the BBC air: competing on every front is no longer the concern—the BBC now has no ambitions to run satellite or cable services. Instead the drive is towards the reinforcement of strengths: more resources will be channelled into news and current affairs, for instance.

Anyone in British commercial broadcasting or amid the growing ranks of international competitors who has not heard the rule before should learn it now: Never Underestimate The BBC. Hugh Greene turned a seemingly unstoppable tide in the sixties after the audience split had reached 79:21 in ITV's favour. Now, in Michael Checkland, the Corporation may have found exactly the right man to lead them out of the eighties and into the nineties.

King Lear/Theatre Royal, Brighton

Martin Hoyle

A company devoted to taking *King Lear* round Britain should be applauded, especially when the tour ventures as far afield as Belfast. Limited rehearsal time on alien stages demands a charitable eye to be turned to such hitches as a smoke machine that on Monday night enveloped both stage and front stalls in white billows. "Shall we not see these daughters and these sisters?" came the unfortunate enquiry from the murk. "No," was Lear's heartfelt reply —nor, as it happened, much of the Lear-Cordelia reconciliation, though Sir Anthony Quayle's pleasant voice emerged with desperate clarity from the fog.

When visible, Chris Dyer's set consists of four impressive free-standing stone buttresses, monolith-like, that swivel and re-group to hint at ruined masonry or stairwells; and lie flat for the final battle, rocky parapets and mouldering ramparts. Allan Watkins's costumes are latter-day Tsarist.

This is a traditional if small-scale *Lear*. Sir Anthony's old tyrant is a pedantic bumbler. He rambles, splutters, collects his thoughts as he gropes for the right word. Lacking the big guns for the storm or "Howl, howl, howl!" the actor *opts for a* conversational attack, fatally prosaic in utterances like "She's gone forever." This is an argumentative, basically *reasonable* Lear, the vague professor, already eccentric, deliberately tipped over the edge (at one reference to madness Goneril and Regan exchange satisfied glances). It is hard to build him into a tragic figure who has looked past civilisation and into the abyss beyond.

The three forms of madness displayed in the wilderness—Edgar's pragmatic pretence, the Fool's licenced distortions, Lear's growing insanity—are no more differentiated here than at the National. Paul Copley's Fool must be the most negative ever. Directed as a northern comic routine at a high-pitched monotone, much of his gabble went for nothing and newcomers to the play must wonder why the character is there.

Tony Britton's refined diction gives Gloucester a touch of one of the actor's sit-com creations. "Dost thou know Dover?" sounded coy, the beginning perhaps of a funny story.

Alexandra Mathie's no-nonsense Cordelia is a decent if colourless head-girl. Her sisters are sleekly handsome: the beauteous Kate O'Mara and Isla Blair, the former given hands-on-hips sexuality, the latter developing into a snarling spitfire, both positive contributions in the context of a not too subtle production. John Gillett's Edmund lacks relish in his development, he might well change places with Peter Woodward's powerful Edgar whose virtuoso physical and vocal techniques are certainly positive, perhaps obtrusively so. Woodward has directed some good swordplay. *Elsewhere* there are some unconvincing deaths and, despite an ingeniously full-frontal version, an undisturbing blinding. At its best, the production is clear, decent and sensible.

Peer Gynt/Theatre Royal, Bury St Edmunds

Michael Coveney

The Theatre Royal, Bury St Edmunds, is one of three surviving Georgian theatres in Britain (the others are at Bristol and Richmond in Yorkshire) and its preservation a tribute to the directors of the Greene King brewery who stored barrels in it when they might have knocked it down, the local fund-raising worthies of the mid 1960s — the theatre was re-opened in 1965 — and the National Trust, who took on responsibility for the upkeep, and the lease, in 1975.

Macready appeared here in 1828, the world première of *Charley's Aunt* was staged in 1892, and today's mixed programming policy provides a delightful port of call for all manner of middle-range touring productions, this week Cambridge Theatre Company's *Peer Gynt* in a slim-line two and a half hour version of Michael Meyer's translation. Clare Davidson's production is led by Michael Maloney, a stylish and sympathetic young actor soon to exchange the elemental flights of Ibsen's visionary adventurer for the more pedestrian humours of Waugh's Boot in the television *Scoop*.

The drawback of the skimming approach is that where the play expands the Peer's decline sets in, a modest, resolutely earth-bound production comes badly unstuck. The Norwegian designer Sturla Rongstad has ingeniously combined the primitive and the materialist on a set of seven Gordon Craig-ish pillars which revolve on castors, one side burnished steel, the other polished glass. And these disappear to reveal a dun-coloured framing surround for the Egyptian and Moroccan escapades. But later confrontations with figures of Death, the shipwreck and the redemptive flight through the silvery mountainscape to Solveig's arms are beyond both the means and the ambition of this show.

Ms Davidson's cast of eight performs doughtily within the proscribed limits, but the effect is of a routine jog, not a crazed marathon. *Peer Gynt* is simply not a small play, as the RSC demonstrated in 1982 in spite of David Rudkin's inspired Celtic transliteration and Derek Jacobi's fullest range of character acting. Maloney is a quicksilver *lad of the hills*, a Yuppie success story in a rust corduroy suit and an obvious Hamlet with the layers of onion speech. But the reading, of necessity, stops there.

Notable support is lent by Maria Charles as his mother and the irrepressible Tricia Kelly (a star turn in *A Mouthful of Birds*) as, along with everyone else, various trolls, milkmaids and belly dancers. Katharine New is a pretty Solveig and a seductive Anitra though, again, we miss the fuller dimension of gusto and mystery.

Michael Maloney and Katharine New

Bach Choir/Festival Hall

Richard Fairman

The massive concert at the Albert Hall in March 1883 was one of Dvořák's earliest triumphs. After a performance of his recently-completed *Stabat Mater* by a chorus of over 700, the composer was greeted with a tempestuous ovation from the capacity audience.

Musical tastes have changed. What seemed a "new experience" then sounds positively dreary now, as cosy and undemanding a piece of music as any upon which the Victorians bestowed their favour.

By its very design the score does not allow its interpreters much freedom of movement. All the sections are slow until the last few minutes, when the final "Amen" makes a dash for the end. But at this performance on Monday David Willcocks, with the Bach Choir and Philharmonia Orchestra, did manage to vary the pace a little by keeping the long first movement on the move and making "Tui nati vulnerati" a real *allegretto*.

His fluent support must have been helpful to the soloists. Here too there are few opportunities, and those were only partially grasped. Arthur Davies brought a well-schooled line to the tenor part, though "Fac me vere" would have sounded more pious if he had observed the *pp* markings. The contralto solo received some, but not all, of its drama from Catherine Wyn-Rogers. Eiddwen Harrhy was the strained soprano and Gwynne Howell the sonorous bass.

Altogether the most imaginative moments, when the music suggests the deeper resonance of later Dvořák masterpieces, come in the best of the choral writing: the wandering lines of the opening or the unaccompanied women's voices like distant angels in "Fac, ut ardeat," all effectively done despite the Bach Choir's tendency to lose a sure focus. Purists may complain that Rossini's *Stabat Mater* lacks reverence, but Dvořák finally suffocates his audience with an unholy surfeit of it.

Peter Donohoe/Elizabeth Hall

David Murray

Peter Donohoe's solid programme on Monday—not long, but pianistically dense — should have attracted a larger audience. Are Mondays unlucky? In any case Donohoe gave full value, with his customary security and impressively differentiated manners for Debussy, Stravinsky and Rakhmaninov, all represented by music from the first decade of the century.

The Debussy was Series 1 of the *Images*, treated to an unhurried, introspective performance full of small subtleties. Much of "Mouvement" became an elusive shimmer, quite without the conventional toccata-effect; since despite its title the piece doesn't really go anywhere, the surprise was sympathetic, and lent the music a magical air. The restrained sonorities in which Donohoe dressed "Reflets dans l'eau" and the "Hommage à Rameau" needed a more purposeful pace, I thought: there were many fresh touches of detail, but the structure of each piece faded into the evocative haze — even the ascents to the main climaxes took the form of languid curves, without impetus.

Perhaps Donohoe's aim was to mark the differences between his composers as sharply as possible, though the effort was unnecessary when "Mouvement" was to be followed directly by the clatter of the *Petrouchka* "Danse russe." Donohoe is one of the few pianists who can tackle the *Petrouchka* suite which Stravinsky transcribed for Rubinstein with the requisite confidence; bar the inevitable finger-slips in the "Shrovetide Fair" sequence — Stravinsky must have been determined to tax Rubinstein's powers beyond human limits — his aplomb was dauntless. Dazzling piano-colours, even in pianissimo; and a most thoughtfully dramatised sketch of Petrouchka grieving and fuming in his cell.

The second half of the recital consisted of Rakhmaninov's op. 32 Preludes, and even the pauses between them were impeccably judged. The familiar B minor prelude had notable breadth and depth, the G-sharp minor a lovely delicacy without *routine sentiment*; the brilliant A minor was excitingly clear and never steely. (Donohoe's light half-staccato in very fast, complex music is astonishing.) Unlike many a pianist, Donohoe is both well aware that the life of Rakhmaninov's piano writing is concentrated in the inner parts, and able to do justice to them.

*

I misheard the name of the young violinist who learned Weill's Concerto overnight, 10 days ago: she is Stephanie Gonley, not Donnelly. Heartfelt apologies.

Peter Serkin/Wigmore Hall

Andrew Clements

Peter Serkin's Wigmore Hall recitals are invariably imaginatively planned and presented with keen intelligence and searching musicianship. Monday night's was no exception, yet it attracted a poor audience for a pianist of this stature. Even the later promise of the *Diabelli Variations*, it seems, was not enough to tempt more pianophiles to investigate the highly varied sequence of short pieces that preceded it.

That sequence culminated in an explosive account of Messiaen's *Cantéyodjayâ*, with every element of its mosaic (prefiguring in some ways the construction of Tippett's Second Sonata) precisely slotted into position. It encompassed an enormous dynamic range: the modal layers, each with its own sculpted set of dynamics, were kept coolly distinct, the massive central climax was severe and unflinching. By contrast Takemitsu's *Rain Tree Sketch* (1981) seemed just a wisp of fey impressionism, Debussy and water, with only some teasingly rootless harmonies to sustain any interest.

The strangely proportioned G major Prelude and Fughetta BWV 902 which Bach later refashioned to become the G major Prelude and Fugue from Book 2 of the "48" began the recital, with elegantly purled figuration in the Prelude, vigorous sharp-etched rhythms in the Fughetta. A similar austerity was preserved in Stepan Wolpe's *Form IV: Broken Sequences*, a deliberately inconsequential array of ominous, dark gestures, the expressive tips of a deeply threatening and vast iceberg.

To hear Serkin then extend the intellectual grip and massive technical skill he had lavished on the small-scale works to the vaster architecture of the Diabelli Variations provided for a performance of rare distinction. The coloristic range was not wide, though the exploration of Beethoven's sonorities was extremely thorough; humour was kept tightly reined. Yet the range of the set was superbly conveyed: its moments of quietude were carefully marked, its eruptions of energy kept within bounds, its flowering of polyphony unfolded petal by petal. In lesser hands the Diabelli can be rather an endurance test; here Serkin kept everyone's concentration safe, with playing of compelling intensity.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

February 27 – March 5

Theatre

SPAIN

Madrid, VII International Theatre Festival will be held in Madrid from March 5-29. Coming up this weekend is Studio Theatre of Georgia from the USSR with Moliere's Don Juan, directed by Tsitsino Gvazava. Teatro de la Comedia, Principe 14. (Thur to Sun). Also Dutch Co Triangel with 20 Short Stories at Sala Mirador, Doctor Fourquet 3.

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel is sexy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's sell-out pre-Revolutionary production for the RSC has moved from the Pit with Alan Rickman and Lindsay Duncan still battling and bitching over lovers and other riffraff. (836 6111, CC 836 1171).

Misalliance (Barbican): Rarely seen Shaw, and a much underrated play, given the full RSC works by John Caird, a Polish new woman crashing into the surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox, Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

Woman in Mind (Vaudeville): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a dissatisfied housewife visited on her own garden lawn by an imaginary ideal family. Bleak but funny, hailed in some quarters as vanguard feminist drama; be not put off by that. (836 9987/5645).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

The House of Bernarda Alba (Globe): Lorca's last tragedy in a successful production transferred to the West End from Hammersmith. Nuria Espert, veteran Spanisch actress/director, has drilled a high-calibre cast led by Glenda Jackson and Joan Plowright into a near-authentic portrayal of steam frustration in an all-female household oppressed by both traditional catholicism and the peasant class system. Ultimately it's all a bit British, but the company provides a roll-call of some of the best actresses around – all eclipsed by the ineffably touching Julie Legrand. (437 1592).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Elliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

She Always Said, Pablo (Goodman): The company's associate director, Frank Galati, created this pastiche of music by Virgil Thomson and Igor Stravinsky with words by Gertrude Stein and visuals by Pablo Picasso. Performed by 11 actors, the work features Picasso's Minotaur as well as Picasso, Stein and Alice B. Toklas. Ends April 4 (443 3800)

WASHINGTON

Glengarry Glen Ross (Arena): David Mamet's cutthroat real-estate salesmen show off one aspect of the soft underbelly of American capitalism in its bastion of political support. Ends March 8. (488 3300).

Ben E. King/Palladium

Antony Thorncroft

The pop world has entered one of its nostalgic phases while it waits for the next musical fashion. Around Christmas the best selling record was "Reet Petite" by the long-dead Jackie Wilson: now it is "Stand by me," a hit in 1961 for Ben E. King.

Ben is not dead, and with the premature demise of *La cage aux folles* freeing the Palladium for speculative promotions, his record company rushed him over from the States for a Monday night concert to cash in on his surprise success. For such a makeshift event it worked quite well. There was an audience; the young musicians hauled in to back him were competent; and Ben E. King was awfully glad to be here.

He will never rate a waxwork in the Rock Hall of Fame but Ben E. King has been around. He was a Drifter in the late 1950's and later worked with the Average White Band. His suit is still spotless white and if his red shirt bulges over his belt and he thinks twice about bending low, well, why not?

He gave a safe performance of old Drifters songs—"Leave the last dance for me;" his own hits — "Spanish Harlem;" and crowd pleasers, like "Imagine" and Percy Sledge's "When a man loves a woman." It was an act more familiar in the night clubs of the north a decade ago than in the Palladium, but the obvious pleasure of the man compensated for the vagaries of his voice and the emptiness of the occasion.

Everything was rather tentative, like a first dress rehearsal, but while never feeling involved it was mildly pleasurable. An excellent saxophonist and a girl backing singer fighting a losing battle with a detachable dress, helped greatly.

Saleroom/Antony Thorncroft

Chinese snuff bottles are currently one of the hottest auction markets. Sotheby's sold yesterday the first part of the collection of the late Eric Young for £303,457, with less than 2 per cent bought in. Young was an avid collector — he amassed 75,000 orchids — and in five years as a snuff bottle freak he bought 2,500 examples.

Top price was the £29,700 paid by a Hong Kong collector for a rare enamelled porcelain snuff bottle of the Qianlong period. It had a top estimate of only £5,000, and set an auction record—in sterling.

A snuff bottle, with the inside painted with a portrait of Baofen, Governor of Henan, made in 1905 by Ma Shaoxuan, the big name, sold for £26,400 to a collector living in London. In New York in 1982 it sold for $4,950 at the Bob C. Stevens sale where Young bought a quarter of the 800 lots. An 18th century jade snuff bottle, which went for $12,500 in 1982, fetched £11,000 this time.

هكذا من الأصل

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FROM THE SECRETARY OF STATE

Dear Teacher

The Government wants school teachers in England and Wales to receive an average pay increase of 16.4%. We intend that half should be paid from 1 January 1987, and the other half from 1 October 1987. At the same time, teachers' professional obligations will be clearly defined. I hope that teachers will have the back pay for the 1 January increase in their May pay packets.

Now that the Teachers' Pay and Conditions Act is on the statute book, I am consulting on a draft Order.

The draft covers the 1 January pay increase and sets out conditions of employment which would become part of school teachers' contracts.

The table below shows the salary structure proposed for October 1987. The panel summarises the proposed conditions of employment.

Full details are set out in a booklet which I sent to all head teachers earlier this week. In particular the booklet sets out the changes from existing salaries through 1 January to the salary levels proposed for 1 October.

Yours sincerely,

Kenneth Baker

CONDITIONS OF EMPLOYMENT OF SCHOOL TEACHERS

The Government proposes that the contracts of employment of teachers, other than head teachers, should incorporate provisions as follows.

1. Teachers will carry out the duties of their profession and such particular duties as may be assigned to them under the reasonable direction of their head teacher.

2. Included in the list of duties they may be required to undertake are those set out below. The duties an individual teacher will be required to undertake will depend on the type of school and the role of the teacher; individual teachers will not all be required to undertake all these duties.

Summary of Professional Duties

- Planning and preparing courses and lessons, in collaboration as necessary with other teachers.
- Teaching pupils according to their educational needs, including setting and marking work carried out by them in school and elsewhere.
- Recording and reporting on educational and other aspects of pupils' progress.
- The pastoral care of pupils, including discipline, health and safety, and such guidance and advice on their personal, social and educational development as the individual teacher is able to give.
- Professional development as teachers, including periodic review of their own methods and programmes of work, participation in further training, and participation in arrangements, within an agreed national framework, for the appraisal of their own and other teachers' performance.
- Supervising and so far as practicable teaching pupils whose teacher is absent. Unless a teacher is employed as a supply teacher or is timetabled to undertake specific duties for less than 75% of the school week, or no supply teacher is available, he or she will not normally be required to cover after the absent teacher has been away from school for 3 days; nor to cover for a planned absence of more than 3 days.
- Preparing and presenting pupils for and supervising them at public examinations; and assessing pupils for the purposes of such examinations.
- Taking part in the management and administration of the school in accordance with their specific responsibilities for class, curriculum, pastoral and other matters.

3. Full-time teachers may be required to work on not more than 195 days in a year, of which 190 days shall be days on which they may be required to teach pupils.

4. Teachers may be required to work at specified times and places at the direction of their head teachers for not more than 1265 hours in any year, to be allocated reasonably throughout those days in the year on which they are required to work.

5. Teachers shall not be required to undertake midday supervision, and shall be allowed a break of reasonable length during the school day.

6. In order to discharge their professional duties effectively, including the preparation of lessons, teaching material and teaching programmes, and the marking of pupils' work, teachers will work such additional hours as may be necessary. Teachers will choose when and where to do such additional work.

Note

The above summary is intended to provide general guidance only. The specific contractual provisions are contained in the draft of an Order to be made under the Teachers' Pay and Conditions Act 1987. The full text of those parts of the Order dealing with duties is included within the booklet which has been sent to all maintained schools.

PAY STRUCTURE PROPOSED FOR OCTOBER 1987

TEACHERS' BASIC SCALE

£	
7,600	Entry points for non-graduates
7,900	graduates
8,200	
8,500	good honours graduates
9,200	
10,000	
10,600	
11,200	
11,850	
12,600	
13,300	

FIVE INCENTIVE ALLOWANCES*

500
1,000
2,000
3,000
4,200

DEPUTY HEAD TEACHERS

Salaries will range from £14,750 to £22,250 according to size of school.

HEAD TEACHERS

Salaries will range from £15,500 to £30,500 according to size of school.

*NOTE

These allowances would be available, on top of the basic salary scale, to teachers for one or more of the following reasons – additional responsibility, outstanding classroom performance, shortage skills, recruitment to posts difficult to fill. Teachers now on Scale 3, Scale 4 and the Senior Teacher Scale will automatically receive allowances of £1,000, £3,000 and £4,200 respectively.

FINANCIAL TIMES

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Wednesday March 4 1987

The need for 'unreal' jobs

ONE OF the odder features of the pre-election manoeuvres now going on in Britain is the fact that all three opposition parties are against tax cuts. Indeed, they all promise to vote against any cuts the Chancellor may propose; the money should be spent instead on job creation. To an outsider this may appear as puritanism run mad; but recent opinion polls, possibly endorsed in the actual voting in the Greenwich by-election, suggests that this line may be politically shrewd. By a steadily increasing majority, voters say that they too prefer job-creation to tax cuts.

The Government used to argue that public spending could not create "real" jobs, but this argument has not been heard for some time. No less than eight publicly-funded job creation and training schemes have been launched in recent years. More than 600,000 people who would otherwise be unemployed are at present involved in these schemes, and the number will almost double by 1988, mainly because of the extension of the already ambitious Youth Training Scheme.

This emphasis on training is undoubtedly right in principle; recent studies by the National Institute for Economic and Social Research have shown a depressingly low level of vocational skills in the British workforce by comparison with their French, German and Japanese counterparts, and some shortages of skilled workers have already reappeared despite the persistently high level of total unemployment. Whether the practice is as good as the principle is very doubtful; there is now a shortage of skilled instructors as well as of skilled workers. These schemes are probably at or beyond their practical limits for some time to come.

Small impact

The real difference, then, between the Government and the Opposition concerns public job creation in its most basic sense—the employment of more people in public sector services and investment. These are precisely the "unreal" jobs which the Government spurns in theory, and has largely spurned in practice. There has in fact been a very small annual increase in non-housing public sector investment, but this does not compensate for the 18 per cent fall in public housing investment volume since Mrs Thatcher came to office.

Despite the best efforts of the construction industry and the CBI, it is not easy to draw up a very impressive list of self-justifying public investment projects. A strong case can be made for bringing forward necessary maintenance work on the infrastructure — mainly sewers and railway tracks — while manpower is so abundant, but this would make only a small impact on the problem. There is also an interesting class of more speculative investment — advanced factories (or at least well-served industrial sites) and improved port facilities. It is striking how the development of Felixstowe has energised the whole East Anglian economy.

Better opportunities

However, the strongest arguments for job creation of this kind may well be the short-term arguments. There is no doubt that direct expenditure on employment (or on cutting private sector employment costs through reductions in national insurance) have a far quicker impact on employment than general attempts to boost demand. There is in addition a second-round boost to general demand as wages are spent. Spending measures can also be precisely aimed at the areas of highest unemployment.

The case for such short-term measures is essentially long term. The growth of the labour force, which has made it so difficult to contain unemployment in recent years, will fall away in the 1990s, and if employment continues to grow as expected, opportunities will greatly improve. This means that the need for job creation will abate; these can be limited programmes. Meanwhile, they could provide work experience and some useful training for those who would otherwise be ill-fitted to rejoin the labour force. The long-term solution still lies in education and industrial efficiency; but this is not an argument against effective and possibly productive short-term palliatives.

The politics of British sugar

AFTER the blocking of two bids for control of British Sugar last week, the future of the UK sugar refining industry looks as uncertain and unstable, as ever.

Mr Paul Channon, the Trade and Industry Secretary, was right to accept the Monopolies and Mergers Commission's verdict that the acquisition of the beet monopoly by either Tate and Lyle, the cane refiner, or Ferruzzi, the Italian agribusiness group, might operate against the public interest. He scarcely needed an eight-month, 273-page inquiry to conclude that control by Tate of 95 per cent of UK sugar supply, or by Ferruzzi of 25 per cent of EEC production, could impede competition further in a business where market forces have almost been regulated out of existence.

His decision threw no light on ways in which the long-term viability of an independent cane refining business in Britain might be maintained, under an EEC sugar regime which expressly and unjustly discriminates in favour of higher-cost beet production. Indeed, Mr Channon seemed to shy away from some of the Commission's recommendations on this point.

The problem is still of immediate concern because although S. & W. Berisford, the commodity trading group, insists it is fully committed to continued ownership of British Sugar, the almost unanimous belief elsewhere is that it still wants to sell out, and is itself bid-prone.

Profit margin

And even if the short-term profit picture in UK sugar refining has improved in recent months, the fundamental strains in the industry could easily resurface again. The Monopolies Commission points out that Tate & Lyle suffers from a serious structural disadvantage, in that the profit margin it is guaranteed by the EEC sugar regime is much smaller than that for beet refiners. It has already had to cut refining capacity sharply since Britain joined the EEC, and suffered heavily in the last couple of years under the impact of British Sugar's aggressive marketing strategy.

This atmosphere is hardly conducive to long-term planning, and has been deterring Tate management from making all the investments needed to shore up its two UK refineries, at Greenock in Scotland, and Silvertown in east London.

What is at stake here is not just the future of Tate & Lyle, nor the state of competition in the UK sugar market—though the Monopolies Commission does conclude that the presence of two big sugar refiners in Britain has kept prices lower than they would otherwise have been.

Simple justice

The ultimate issue is the EEC's agreement to import 1.3m tonnes of raw cane sugar from African, Caribbean and Pacific countries under its Lome Convention—a commitment of the highest political importance to Britain's former colonies in the Caribbean and elsewhere, and an express condition of the British treaty of accession to the Community.

It is also a matter of simple justice. The EEC's sugar regime has turned the laws of comparative advantage on their head; it forces consumers to pay farmers unnaturally high prices to produce beet, which is on average a much higher-cost crop than cane; and it dumps the surpluses thus created on to the world market with massive subsidies. The residual commitment to import cane remains an important gesture of good will to the producers.

As the MMC point out, any threat to an independent cane-refining industry in Britain could swiftly turn into a threat to future cane imports; there are no alternative processing outlets of sufficient size elsewhere in the Community. In the absence of Tate the EEC would be faced with the expensive prospect of buying 1m tonnes of unwanted cane sugar into official warehouses

The alternative is for the Government to put real political weight behind efforts in Brussels to improve Tate's refining margins; the MMC suggests that failing this approach, the authorities might consider a cut in the price paid for ACP sugar (offset by an increase in direct aid to the producers), or even a direct subsidy to Tate.

None of these suggestions is particularly attractive; they simply introduce new distortions. This is inevitable, since they merely address symptoms of the sugar industry's problems. The disease itself is the EEC sugar regime, which urgently needs basic reforms of the sort being painfully initiated in other parts of the Common Agricultural Policy.

The Craxi years

Bettino's brave new Italy

By John Wyles in Rome

MR BETTINO CRAXI'S resignation yesterday as Italian prime minister marks not so much the end of an era in national politics as a change of casting in a long-running piece of repertory.

Three-and-a-half years in the Palazzo Chigi have shaped him as the country's dominant politician. Thanks to the unruliness of Italian politics, he could well remain so even when out of office.

The transformation in the man has progressively startled and impressed Italians. When he became the first Socialist prime minister in August 1983, there were no great expectations that this ruthless political gunslinger would display any special qualities of leadership or talent for government.

In the event, he has done so, and in a decisive, occasionally confrontational and arrogant style

Before Mr Craxi, the country had not imagined there could be any alternative to the emollient approach of the Christian Democrats, whose permanent grip on the premiership ended only in 1981. The Christian Democrat culture had long made a virtue of necessity: since Italian governments are weak by constitutional design, it pursued a policy of maximising consensus through concession and compromise.

Mr Craxi, by contrast, has taught the country that at home and abroad the application of courage and cunning, boldness and resolution can often lift a mediocre hand into a winning one.

The extent to which the "new Craxi" has fathered, a "new Italy" can be endlessly debated. Economic policies allied to favourable world conditions yielded annual growth rates under his tenure of between 2 and 3 per cent. Business enjoyed the "stability" of the Craxi era and the aggressive overseas expansions of Olivetti's Carlo De Benedetti, Fiat's Gianni Agnelli, Raul Gardini of Ferruzzi and the Benetton clothing family seemed to complement Mr Craxi's confidently assertive handling of foreign relations.

But many of the fundamental changes had already taken place in Italy by the time Mr Craxi arrived. Terrorism had been significantly weakened, divorce and abortion legalised, trade union power much reduced and corporate balance sheets were well on the way to recovery. Only the political system remained unaltered

Now Mr Craxi is returning to the job of full-time secretary of his party with a hefty push from coalition partners, the Christian Democrats. They understandably feel entitled to reclaim the premiership for a short spell until the next elections which are not constitutionally required until June next year. The Christian Democrats' 33 per cent of the 1983 vote has been sustaining Mr Craxi's 11.4 per cent for much longer than they intended. Their nervous anxiety to have him out was reducing his government to squabbling impotence.

But Mr Craxi's past and to a considerable extent his future are built on the pivotal position which makes the Socialist Party essential to any Parliamentary majority seeking to maintain the Communists in opposition. At some stage in the future, the Socialists may be the bridge over which the Communists walk into government; but in the meantime Mr Craxi and the Christian Democrats will endeavour to maintain a level of co-operation constantly threatened by rivalry and electoral insecurity.

No one at this stage, probably not even Mr Craxi, knows whether he will force the negotiations on the formation of the next government into a blind alley from which early elections are the only exit. What is certain is that he wants Italians to regard his term in office as a glittering achievement worthy of a higher vote for the Socialists—which can in turn be parleyed into a return ticket to the prime ministerial offices in the Palazzo Chigi.

According to a poll published last week, a majority of Italians think Mr Craxi ought to be staying on. But at the end of his term, Italy is unusually divided about him. His critics, in particular, are obsessed by his personality which is autocratic, quite often impatient and altogether excited by power.

These are hardly uncommon qualities to find in a political leader, but they are instantly dubious in an Italy which remembers Benito Mussolini and 22 years of fascism. One senior economist with rather temperate views on Mr Craxi says that this large, often unconfident-looking man arouses intolerable echoes of Il Duce in some old people, including the economist's own mother. "It has something to do with his short sentences and the way he inclines his head."

On the policy front, that grey-bearded scourge of the Italian political class, Mr Eugenio Scalferi, director of La Repubblica newspaper, has awarded a few marks for the economy and a vast number of debits for problems left untackled by Mr Craxi's two governments.

"Bad it was and bad it is," writes Mr Scalferi about the quality of public services in Italy, while the ubiquitous grip of party political influence on public institutions remains "a weeping, open wound which society suffers with growing indignation."

The Scalferi schools sees Mr Craxi as a clever machine politician, subordinating the interests of the country and its institutions to the needs of party and personal political power.

Paradoxically, Mr Craxi is now also concerned about party power. Last weekend, he published an article in a Socialist Party magazine, lamenting the fact that Italian parties have acquired "a super power unknown anywhere else in democratic Europe'

Is this just extreme cynicism or is there a strongly reformist Craxi which has not yet found its fullest expression in government? Certainly this is what Mr Craxi would have the Italian people believe.

Mr Craxi would want to see the Socialists, the Social Democrats, the Republicans and the Liberals all presenting themselves at the next elections as a grouping anxious to impose modernising policies on the Christian Democrats. Such cohesion still looks unlikely

In reality, the reformist impulse was by no means absent from the two governments headed by Mr Craxi, but neither was that of the party imperialist. Reforming achievements are recited liturgically by the Socialists and include the new Concordat with the Vatican which had been in negotiation for 16 years until Mr Craxi arrived, the clampdown on tax evasion by shopkeepers and small businesses, and the diminution of wage indexation.

Party interests, meanwhile, were furthered and protected through appointments of mebers and supporters to the presidency of the Rai state radio and television service and to top jobs in public industry and state savings banks. "The Christian Democrats have 75 per cent of the government-filled posts while our quota has remained unchanged," Mr Claudio Martelli, the Socialist party's vice secretary told me defensively in an interview last week.

Bettino Craxi: autocratic, impatient, and altogether excited by power

Mr Craxi would add that as Prime Minister of a five-party coalition, he was imprisoned by the political programme which gave birth to it. Political and institutional reform may now be in greater demand in Italy, but in 1983 economic restructuring was the imperative.

It is the progress on this front which underpins Mr Craxi's electioneering campaign claim to have made Italy governable and prosperous. "Growth without inflation" is the new characteristic of the Italian economy, he told the City of London at a Mansion House dinner last month.

This was not the product of miracles, he said then, and nor in the opinion of most economists was it largely the product of Bettino Craxi. "The conjuncture has been extremely favourable," points out Professor Luigi Spaventa of the Centre for European Research in Rome, "but his government deserves some praise for taking advantage of it."

The two dragons requiring to be slain were inflation, running at around 16 per cent in 1983, and the vertiginous public sector deficit running at over 16 per cent of gross domestic product. The rate of price increase was slowing down when Mr Craxi took office but his bold and ultimately successful decision to fight the Communist Party and the trade union movement over the need to modify the so-called *scala mobile* system of wage indexation was a crucial exercise of prime ministerial authority.

Clearly, the fall in the oil price and the dollar has been vital in reducing inflation to the current 4-5 per cent level in a country which imports 81 per cent of its energy. The current account has been similarly transformed

The economy's most serious weakness remains what it was in August 1983, the state of public sector finances. The borrowing requirement has been clawed back from more than 16 per cent of gross domestic product to just over 14 per cent last year but the Italian state remains unable to apply either austerity or efficiency to its public spending.

Alarm bells were rung by the Bank of Italy last week about the somewhat dubious likelihood of reaching this year's public sector borrowing target of L100,000bn (£49.10bn). Accompanying reforms of welfare payments and pensions look a distant prospect with the result that the deficit may yet return to an upward path,

Not that Mr Craxi gave the economy much continuous attention—he was bored by it and made little pretence to understand it. As prime minister he saw his task as one of safeguarding the overall strategy and riding in behind ministers when they needed help.

Always more intuitive than calculating, his interference was not always welcome or well judged. His decision to block the privatisation of the stake-holding company Iri's food subsidiary, SME, remains an embarrassing display of personal and political pique. He had a surer touch in striking the popular chord on foreign policy. Refusing to hand over the Achille Lauro hi-jackers to American troops at the Sigonella airbase probably did more for his personal popularity than anything else and meant that Italy's client relationship with the US would never be quite the same again.

Afterwards, foreign heads of government seemed to have a greater interest in visiting Rome and there they found a prime minister offering a clearer Italian voice on such subjects as the Middle East and East-West relations

Of all the Italian assessments of Mr Craxi, none has been more surprising and, therefore, more interesting than the judgement of one of his severest critics, the elder statesman of Italian journalism Mr Indro Montanelli. "Whoever succeeds him," he wrote in his newspaper Il Giornale yesterday, "it will be difficult not to regret Craxi's going: he is one of those personalities who — as Koestler said of De Gaulle —always leaves a gap larger than the position he occupied."

HOW THE PARTIES STAND

	1983 GENERAL ELECTION RESULTS	1987 POLL FORECASTS*
DC Christian Democrats	32.9%	36.4%
PCI Communists	29.9%	29.7%
PSI Socialists	11.4%	14.6%
PRI Republicans	5.1%	4.0%
PSDI Social Democrats	4.1%	2.0%
PLI Liberals	2.9%	2.3%
OTHERS	13.7%	11.0%

*SOURCE: IL MONDO

Special trick, learnt at GEC

"I had the pleasure of working for Arnold Weinstock for a few years and learnt a few tricks," says Dr Terry Gooding, chairman and chief executive of Cambridge Instrument.

Any special trick? "Yes — count the cash every Friday," says the suave Welsh scientist, adding that his four years as chairman of GEC-Picker—some 10 per cent of GEC sales — taught him "tremendous respect for Lord Weinstock."

Seven years ago the National Enterprise Board, patron of British industrial lame ducks, invited Gooding to take Cambridge Instruments off its hands. He chipped in £1m to salvage a firm founded in 1881 by Horace Darwin, son of the better-known Charles.

Gooding, already a successful Californian-based entrepreneur, revitalised the old instrument firm, introducing the financial control and salesmanship it had lacked.

Last year he bought nine instrument-making companies from Warner Lambert, the US health care group, giving the company niches in a number of countries including the US.

"If Sir Nicholas does go to the V and A—we're giving him George as an exhibit"

Men and Matters

No whe is ready to honour a commitment he made in 1979 to bring the revitalised group to the market. He is seeking a London stock market quotation for an instrument group which, he claims, is now truly international, with sales this year exceeding £100m—"A far cry from the mess we inherited in 1979."

It is not, he insists, a clutch of separate businesses stuck together, but an international group spending heavily on research and development.

Gooding insists he wants to remain in control. His family owns some 30 per cent of the company's shares. He accepts that, at 53, he is an old-timer among a youthful top management, but says: "I want to make sure the next 100 years is successful."

Wall game

The wheels of German bureaucracy grind along fixed lines. On August 24 last year Hans-Joachim Pofahl, his girlfriend Martina Ley, and their eight-month-old daughter, made a spectacular escape to freedom from East to West Berlin.

Pofahl drove a stolen truck at high speed through a hail of East German bullets at Checkpoint Charlie, dodging barriers and knocking a chunk out of the Wall for good measure. The couple were treated as heroes by the West German press.

Now West German prosecutors are considering charging Pofahl with damage to property (the Wall), theft (of the truck) and dangerous driving. They say all actions that would be illegal in West Germany have to be investigated even if they were committed outside the country.

And besides, says a spokes man for the West Berlin prosecutors, "just imagine if someone broke through the Wall with a truck and you were standing in its way on the other side and were run over. They can't simply put their personal difficulties in the DDR above the lives of other people."

Tories back Heath

The Conservative Party has not lent Edward Heath such support since he led it to the second general election defeat in 1974.

Three Cabinet ministers, Lord Hailsham, Lord Whitelaw and Douglas Hurd have nominated the former Prime Minister for the post of Chancellor of Oxford University.

Another, George Younger, Secretary for Defence, and his predecessor, Michael Heseltine together with Overseas Development Minister, Christopher Patten, have made special arrangements to take their MA degrees on Saturday, so that they can vote for Heath next week.

Other senior Tory figures who have declared their support for him include Sir Patrick Mayhew, Baroness Young, William Waldegrave, Peter Brooke and former ministers, Lord Barber, Geoffrey Rippon, Lord Peyton, Julian Amery and Norman St John Stevas.

Lest anyone should think this election may be turning into just another political brawl — some Social Democrats are hoping for another filip for the Alliance from Roy Jenkins's candidature — Heath can also point to a distinguished body of academic support. This includes Lord Goodman, Lord Trend, Lord Beloff, and nearly half the governing body of Heath's old college, Balliol.

Even those two, usually impartial, television knights, Sir Robin Day and Sir Alastair Burnet, have this time pledged their votes to him.

But Dr Anthony W. Henfrey, who claims to be travelling further than anyone else to vote—a three-day round trip from Houston, Texas—says he will not be voting for Heath "though, after Oxford's treatment of Mrs Thatcher, it probably deserves him."

News line

Robert Maxwell and Vere Harmsworth are not the only publishers encountering a spot of bother with evening newspapers. In Perth, Western Australia, Robert Holmes à Court is having trouble unloading his newly acquired evening sheet, the Daily News (circulation around 80,000 and a reliable loss-maker).

One consequence of Rupert Murdoch's successful bid for the vast Herald and Weekly Times group earlier this year was that West Australian Newspapers (WAN), a profitable subsidiary producing the morning and afternoon papers in Perth, was sold to Holmes à Court. He already owned a weekly paper in the city—once edited by Sir Larry Lamb—and in Canberra, the Trade Practices Commission decided that one title would have to be sold.

One of two possible buyers is Laurie Connell, head of Rothwells merchant bank and a great friend of Alan Bond. Unfortunately, Connell is under a bit of a cloud at the moment. One of his racehorses was found to have won recently with a powerful stimulant, popularly known as "elephant juice," coursing through its veins. Stewards banned Connell's trainer for 20 years; and the incident raised memories of an out-of-town betting coup some years ago which led to Connell being "warned off" by the same stewards. From Canberra, he is not seen as an ideal newspaper proprietor.

The other bidder is a group named Community Newspapers. The drawback here is that Holmes à Court's new asset, WAN, owns 50 per cent of the group. He would be selling to himself—which is distinctly not what the Trade Practices Commission had in mind.

Observer

UK national pay bargaining

The fight over the great divide

By Philip Bassett, Labour Editor

REGIONAL PAY LEAGUE: manual workers

	1977 Male	1977 Female	1986 Male	1986 Female
1	GREATER LONDON	GREATER LONDON	GREATER LONDON	GREATER LONDON
2	NORTH	SOUTH EAST	SOUTH EAST	SOUTH EAST
3	SOUTH EAST	WEST MIDLANDS	OTHER S.E.	OTHER S.E.
4	SCOTLAND	SCOTLAND	NORTH WEST	NORTH WEST
5	WALES	OTHER S.E.	=5 NORTH	WEST MIDLANDS
6	WEST MIDLANDS	WALES	=5 SCOTLAND	WALES
7	YORKS & H'SIDE	NORTH	YORKS & H'SIDE	NORTH
8	OTHER S.E.	NORTH WEST	=8 EAST MIDLANDS	EAST MIDLANDS
9	NORTH WEST	EAST ANGLIA	=8 EAST ANGLIA	SCOTLAND
10	EAST MIDLANDS	SOUTH WEST	WEST MIDLANDS	EAST ANGLIA
11	EAST ANGLIA	YORKS & H'SIDE	WALES	YORKS & H'SIDE
12	SOUTH WEST	EAST MIDLANDS	SOUTH WEST	SOUTH WEST

Source: Government's New Earnings Survey

HIGH ABOVE the swirling Thames, in the Millbank offices of the National Economic Development Council, Mrs Margaret Thatcher and a team of senior ministers will today meet employers' and trade union representatives. Top of their agenda is an issue which the Government sees as central to Britain's post-war economic problems: pay.

The approaches of the various participants to the problem could scarcely be more different. The Government brings to the meeting a commitment to re-organise radically pay bargaining in the UK, arguing for greater regional variations in earnings to bring pay levels more closely into line with local labour markets. Outlined in a series of ministerial speeches over the past few months, the Government's new approach is designed to replace straightforward exhortation to employers to reach lower pay settlements.

The Confederation of British Industry (CBI) for its part, has made it clear that it does not see national versus regional pay bargaining as a major issue; its major review of pay in the 1980s, which will be on the table for debate at today's meeting and which is likely to get trades-union support, makes no mention of the issue. The CBI claims its cautious approval of current pay trends reflects increasing good practice by companies at local level.

About 30 per cent of UK employees at present have their pay set by national bargaining, with a much higher proportion (96 per cent) in the public sector.

The Government's view has been spelt out most fully by Mr Kenneth Clarke, the Paymaster General. Arguing in a recent speech for the end of the annual pay round, the going rate, comparability, job evaluation and national bargaining, his message was clear: "Wage bargaining in the UK has prevented wages responding flexibly to changing market conditions."

Support will come shortly from the Institute of Directors, which is expected to approve the idea of more localised bargaining in a forthcoming paper on the north-south divide.

But the notion has also prompted a rash of criticisms. Several well-argued policy papers have come from the TUC. Nor surprisingly; for the unions, the issue is vital. "What is the point of national trade unionism if we don't have national collective bargaining?" asks Mr Rodney Bickerstaffe of the public employees' union Nupe.

Civil Service circles have reacted critically as well.

In his address, Mr Clarke foreshadowed a negative response from employers. He said employers "wedded to national bargaining" were not interested in raising efficiency, increasing profitability or generating new jobs, but sought only "a quiet life."

Indeed, a recent survey by the industrial communications company Epic showed a clear majority of employers in favour of national bargaining.

"I think it's unrealistic to expect a national retailing organisation of any kind to adopt regionally-based pay," says Mr Terry Murphy, general manager in charge of personnel at the Abbey National.

Some employers have already put the Government's ideas into practice. Thames Water has pulled out of national bargaining, and from next February will bargain separately from the other regional water authorities. Lucas, the components company, has done the same for its white-collar staff, as have the national newspapers for their production workers and the provincial newspapers for their journalists.

But most have not. The majority of employers which bargain nationally—Ford, the Halifax Building Society and the other water authorities, for example—show no signs of changing their ways.

The banks have only recently reaffirmed their commitment to national bargaining, arguing that it provides for lower settlement levels and stops leapfrogging, where the unions play one deal off against another. In any case, they say, Mr Clarke has got it wrong: banks do not set only national rates. They point to current starting salaries for clerks ranging from £3,997 to £5,997 depending on the region.

Professor William Brown, of Cambridge University's economics faculty, says: "Most employers see much greater value in uniformity across the country rather than exploiting the chances of getting away with a few quid less in different areas."

Many employers, too, say that in many areas where regional pay is necessary, it is already in place.

Marks and Spencer is mentioned by the Government as a company with little regional pay variation. Not so, says M&S: it has five different geographic pay rates for its 265 outlets—Oxford Street for London's West End stores (£125 weekly starting pay); a special London rate for other inner capital shops (£117); a London boroughs rate (£110); a special provincial rate, covering large cities outside London (£101.50); and a rate for its other stores (£98.50).

The banks have five different London rates. The local authorities, seen as prime targets for the Government's drive for differentiated pay, also deny that their pay structures are as rigidly national as claimed. "There is enormous flexibility in the system," said Mr Brian Rusbridge, secretary of the employers' body Lacsab.

But the gravest charge made against the Government is that it has misunderstood the very labour markets which the new policy is meant to serve. "The concept of a region is insufficient," says Mr Alistair Hatchett of the pay research company, Incomes Data Services, "because you have local labour markets within a region that are totally different."

Labour markets within the north-west region, for instance, range from the small company expansion around Warrington to the blasted factories of Kirkby, from Ellesmere Port's "petroleum row" of Shell, Octel and others to the high-tech production of British Aerospace and Ferranti.

Many employers, say, too, that if the Government believes so firmly in regionalised pay, it should set the ball rolling.

Mr Clarke wants to do so: "Where the Government is the employer," he told the City University business school, "we will seek to gain acceptance of a wider geographical variation in pay rates."

So far, Ministers have not been conspicuously successful.

The Treasury yesterday openly joined the chorus of criticism, and went further: not only did it make no regionally-based offer to three of its main unions—perhaps undoing at a stroke the Government's rhetorical drive for regionalisation—but it said that Mr Clarke's statements on pay "were not totally realistic; pay negotiations have to stay in touch with what is going on in the big wide world."

Trade unionists remain unconvinced that regionalisation of pay would lead automatically to lower pay levels. The differing political complexions of local authorities might lead to higher settlements from Labour councils, says Mr John Dempsey, West Midlands district officer of Nupe. In any area where the unions are well organised — Birmingham, for example—they would be likely to win better deals, though where they are less so—Hereford and Worcester, for Nupe—settlement might be lower.

Mr Clarke's advisers say much of the Government's message has been wilfully distorted through oversimplification, and muddied by being mixed in with the north-south debate. Mr Bickerstaffe, who will be across the NEDC table from the Prime Minister today, says that the Government wants it both ways: playing down the divide; yet implicitly acknowledging a different reality in the provinces.

But what unites the unions and the employers on the issue is scepticism about the practicality of regional pay. "We have a problem drawing a line round London now," says Mr Colin Hall, employee relations director of Asda stores, which bargains nationally apart from a London weighting allowance. "If you repeat that six times for six different areas you have six more problems."

Or as Mr Jimmy Knapp, of the NUR says: "It would be a nonsense paying a guard in Inverness working a train into Glasgow less than a guard in Glasgow working a train into Inverness.

"This isn't just an edifice we're protecting here. We're defending something which is of real industrial relations value."

US antitrust law reform

Battling the real sources of monopoly power

By D. T. Armentano

ATTITUDES in the US towards antitrust regulation have changed radically over the past 20 years. The traditional antitrust position was that vigorous enforcement of the laws promoted competition and advanced the public interest. The revisionist view is that old-style enforcement policies reduced consumer welfare and retarded business productivity. They may even have placed US companies at a competitive disadvantage in international trade.

Important liberal and conservative analysts (Lester Thurow, Robert Bork) now agree that much of the traditional enforcement policy was a mistake and that the antiquated laws require reform, or even repeal.

Consistent with the revisionist perspective, the Reagan Administration recently proposed sweeping changes in the 1914 Clayton Antitrust Act.

The proposals would have: amended Section 7 to prohibit only mergers where there was a "significant probability" that competition would be lessened; exempted import-sensitive industries from any merger regulation for up to five years; curtailed the use of joint-and-several liability and treble-damages penalties in private antitrust cases; and liberalised the act's restriction on interlocking directorships.

None of these provisions became law in 1986; none the less, antitrust reform remains high on the legislative agenda for 1987.

Why have attitudes toward antitrust policy changed so dramatically? The primary reason is the increasing realisation that the laws have been employed perversely to attack business efficiency and entrepreneurial initiative.

In the US 95 per cent of all antitrust litigation is private and involves one business suing another. The plaintiff is usually some disgruntled (smaller) competitor that has lost sales or profits to a more efficient (larger) defendant company. It strains credibility to believe that these private cases promote the public interest.

Even the government antitrust cases are highly suspect. Here the defendant company was often expanding output, lowering prices, and engaging in rapid technological change.

Prices for kerosene fell dramatically in the four decades preceding the legal divestiture of the Standard Oil Company in 1911. Prices for aluminium ingot fell dramatically in the four decades preceding the conviction of the Alcoa Company in 1945. IBM was the world's leading computer company, yet the Government pursued an ill-founded antitrust suit for 12 years.

Mergers have been opposed because they promised to lower prices and improve economic efficiency (Brown Shoe, 1962). Companies that have developed breakthrough products have been antitrust targets (Kodak), and the Federal Trade Commission has harassed companies that price discriminate in order to get them to increase their prices. To believe in antitrust action as being in the public interest is never to have read an antitrust case.

It is now obvious that antitrust policy in the US has often served to restrain industrial efficiency—not monopoly. The laws have been employed to punish the efficient and shelter the inefficient.

Antitrust reform, though it does not go far enough, will help promote a more vigorous competitive process. This is especially relevant given the pervasiveness of international competition and the less-than-satisfactory condition of the US trade balance.

Another important reason for the change in antitrust attitudes has been the collapse of the "concentration doctrine." Early work on industrial organisation had discovered a slight positive correlation between market concentration (the percentage of market sales "controlled" by a small group of companies), and the profit rates in an industry: the higher the market concentration the higher the overall profit rate.

This view has come under criticism. Higher profit rates in some industries are more easily explained by scale economies, capital intensity, unprecedented risk-taking, and continuous innovation. Lower costs for some companies allow greater profits and faster growth, leading to greater market share and increased concentration.

There is, moreover, nothing especially sinister about non-legal entry barriers. Product differentiation and customer goodwill can only hamper less efficient business organisations. When leading companies fail to increase efficiency to satisfy consumer demands, they quickly lose market position. Long-run studies of concentration and profit rates confirm this competitive market process. But if all this is correct, what useful role can antitrust policy play?

When antitrust regulators prohibit a merger, order a divestiture, (the recent AT&T case), declare a price to be predatory, or condemn an inter-company price agreement, they presume to know that market incentives are inadequate to push or reward entrepreneurial decisions, or to reallocate resources from less-valued to more-valued uses. Further, they presume to know that the social costs associated with these activities outweigh the future social benefits.

Such presumptions are unwarranted. The new antitrust analysis suggests that there is no reason to believe that market incentives for resource reallocation are inadequate, or that large companies can short-circuit the competitive market process.

Further, there is no reason to believe that antitrust regulators (bureaucrats, judges) can have access to future market information or can make accurate cost-benefit judgments. Future costs and benefits are inherently subjective and do not lend themselves to aggregation. Regulators are singularly ill-equipped for such analysis and judgments.

Finally, the move to relax antitrust regulation does not mean that the US is soft on monopoly. It simply recognises that a more vigorous market process is not "monopolisation," and that the real monopoly problem is to be associated with governmental barriers to entry and competition.

Licensing, tariffs, quotas, marketing orders, etc. are the primary sources of monopoly power and privilege—a privilege often enjoyed by protected and sheltered business. The most appropriate anti-monopoly policy, therefore, is less antitrust and more deregulation.

Dr D. T. Armentano is Professor of Economics at the University of Hartford, Connecticut.

Letters to the Editor

Leyland-DAF merger

From Mr J. Bramall.

Sir, — The Leyland-Daf "merger" is a notable success for the Dutch Government's industrial strategy. During the late 1960s and early 1970s the Dutch Government identified the heavy truck manufacturing industry as being a key part of its industrial strategy.

The Dutch Government supported DAF in its buyout of its then US owners International Harvester and as part owner provided the funds to develop an integrated range of trucks and engines, and to develop the necessary European dealer network to support the growth of the company.

Britain was targeted by DAF as likely to be the easiest export market to penetrate, the market was large — biggest heavy truck market in Europe (larger than West Germany at that time) and the one with the largest number of domestic products — a fragmented supplier market — and as it happened, all with problems of their own of one type or another.

Britain had always had a large truck building industry and companies such as Leyland, Bedford, Ford, Dodge, ERF, Foden and Seddon Atkinson and their forerunners were all well known and respected suppliers of trucks and our engine builders such as Perkins, Rolls-Royce, Gardner and Cummins were all world class.

Throughout the 1970s the British producers were let down by their backers, both private and public, who did not invest in the development of products and markets.

The American owned companies Ford, Bedford (GM) and Dodge (Chrysler) were all more concerned with their respective car divisions and with the exception of Ford allowed its truck divisions to slip behind its European competitors.

Leyland, the main British owned producer, which had been the largest manufacturer in Europe (and possibly in the world) and very profitable was virtually bankrupted financing the cars division of British Leyland following the disastrous merger with Austin and Morris car makers BMC.

Leyland trucks were starved of funds and management at the very time when it was needed most to counter the threat of European competition and to take advantage of the changing and growing markets in Europe.

The smaller UK producers have all had their problems and all are considerably reduced in size at a time when all the European producers were growing rapidly. Seddon Atkinson was rescued by the Spanish producer Pegaso and Foden is owned by the US truck maker Paccar. ERF remains the sole British owned and managed producer.

Leyland was forecast to gain most as the company's marketing initiatives in Europe begin to pay off, its European network, particularly in France, was expected to take more trucks, its marketing deal with DAF for light truck sales should begin to contribute and other deals with likely partners Volvo and Scania, to provide them with light trucks, were in the pipeline.

Along came the DAF deal negotiated over the heads of Leyland Truck management by an over hasty UK Government and a cars division chairman Graham Day with bigger fish to fry.

What of the Leyland-DAF "merger"? There is some industrial logic to the deal. DAF—gains the light and medium truck range it needed; gains volume for its engine factory in Holland; gains volume for its truck cab factory in Belgium; gains Leyland trucks British, European and world dealer network; gains a share in Leyland Trucks African assembly plants in Nigeria, Zambia, Kenya, Malawi, South Africa, etc; gains a share in Leyland Trucks plants in India and Australia; and gains a share in a company going into profit this year on trading.

What does Leyland gain? An increased share of the European market (including DAF's share of the British market) a share of some advanced engine designs, a clean balance sheet and most important a management dedicated to the development of a world class truck industry with a Dutch Government prepared to back its ambitions.

UK Ltd loses in every other respect—Britain loses another truck plant, British engine builders and component suppliers lose volume at least in the short term, possibly for ever, our manufacturing industry will be smaller and weaker as a result.

Perhaps most important, in the longer term there is no seed to develop into the British contender in world markets with all the gains that would accrue in terms of exports, import substitution, manufacturing output and the jobs that would have followed.

Short termism wins the battle, loses the war.

John Bramall.
41 Bingham Park Crescent, Sheffield.

Tactical voting

From Mr A. Ryan

Sir,—Your leader (February 28) on the Greenwich by-election greatly underestimates the appeal of tactical voting in a general election. Any Conservative who would prefer a Labour government restrained by the Alliance to a Labour government enjoying an absolute majority has an even stronger incentive to vote SDP at a general election than at a by-election. If the polls indicate that a vote for the Tories is a vote for Labour, as they did on this occasion, the sensible Tory will always vote for the Alliance. Mutatis mutandis, the same applies to Labour. Curiously enough, tactical voting has much less appeal to the Alliance, which needs Alliance MPs in parliament, or failing that, a huge unrepresented vote to strengthen the case for proportional representation.

Alan Ryan.
New College, Oxford

Painful for the English

From Captain H. Bracken.

Sir, — The most painful sensation an Englishman suffers is that of a new idea. The reactions of political commentators to the outcome of the Greenwich by-election indicate that agony still has to be suffered by many, including some at Bracken House, before they perceive what is already apparent to the electors. We are now in a three party electoral system and tactical voting is both effective and, for a change, now gives a real choice and the feeling that votes are effective.

A comparison between "par for the course", which takes into account the state of the parties nationally, and the actual result at Greenwich shows that not only did Labour do worse but the Conservative did slightly less badly than a straight comparison with the 1983 result would indicate.

Furthermore it is absurd to assume that all the decline in the Labour and Conservative votes can be attributed to tactical voting; many actually abstained and between two and three thousand new voters supported an outstanding candidate, Rosie Barnes.

(Captain) H. H. Bracken RN (Retd).
Old House, Groombridge, Sussex.

Dedicated to floating

From Mr K. Newton

Sir,—As a concerned citizen, and dedicated "floating voter," I take issue with Malcolm Rutherford (February 27) when he asserts that "the present two-and-a-bit party system suits Britain's needs" and that "trying to bring in proportional representation would not be worth the effort."

I, for one, am heartily tired of this never-ending "nationalise it/privatise it" conflict that has burdened this country ever since the end of the second World War. If the introduction of PR does no more than curb the extreme excesses of both the Left and the Right, then I for one should be content. It is surely time to give it a chance.

Mr Rutherford seems to hope that some gentle evolutionary process will eventually lead to Labour being replaced as the alternative party of government. He may well be right but do we have the time? The process could, perhaps, be hastened if the two party Alliance had the vision to see that the nation would prefer to support a single alternative party and one which had a broader appeal than the Alliance seems able to claim just now.

K. C. Newton.
6 North Rise, St George's Fields, W2.

Student funding

From Mr P. Williams

Sir,—Recent discussions over the student population of this country once again show how muddled thinking fails to take account of the total picture.

It seems to be common practice to compare the situation in Britain with that in other countries. Most others do not have a grant system, the students must fund themselves entirely. Why is this seen to be good in some quarters? Britain leads the way in many areas of social and economic life. It is a mark of our national superiority that we provide grants for our students.

It should be recognised, especially at governmental level, that most students in higher education will pay back their grants many times over. Since, in general, in employment, graduates are paid more than non-graduates — either in similar positions or simply by their being able to hold positions not open to non-graduates — their taxable income is generally also higher. Therefore, the income tax revenue to the Government is higher from a graduate than from a non-graduate. Furthermore in our consumer society, the higher-earning graduate will almost certainly spend a greater amount (in absolute terms) on those goods and services attracting VAT.

We should establish a proper policy for higher education — something which most governments since the war have failed to do — and fund it adequately for both the academic institutions and the present and future student populations.

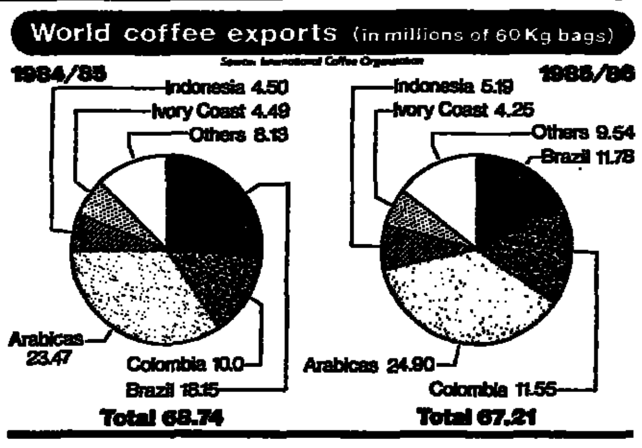
P. J. Williams.
87, Turchill Drive, Walmley, Sutton Coldfield, W Midlands.

FINANCIAL TIMES

Wednesday March 4 1987

Coffee prices tumble as quota talks fail

Andrew Gowers looks at the bitter political wrangles behind the failure of producers and consumers to agree market shares



RECRIMINATIONS were flying yesterday among the regulators of the $10bn-a-year coffee trade, following the collapse on Monday night of efforts to reintroduce export quotas as a safety net for tumbling prices.

As bleary-eyed officials left London for their home capitals after eight consecutive days of talks at the headquarters of the International Coffee Organisation, world coffee markets drew their own conclusion form the failure of exporting and importing countries to agree on how to divide the market up – a precondition for the resumption of quota controls.

On the London Commodity Exchange, there was a wave of nervous selling, which knocked nearly £200 per tonne off prices in the morning and took the robusta futures market to its lowest level since September 1982 at one stage, before it recovered to close at £1,313 per tonne for May delivery, down £186 on the day.

One New York's Coffee, Sugar and Cocoa Exchange, coffee for May delivery fell by nearly 14 cents to trade at less than 110 cents per pound at one stage – and analysts were predicting prices of less than a dollar a pound in the near future.

After months in which a sliding wholesale market has had surprisingly little impact on the ordinary consumer, it also began to seem as if price cuts would feed through to the supermarket shelves.

The markets were reacting to the fact that coffee exporters will now be able to continue the free-for-all in which they have indulged since quota controls were suspended just over a year ago.

At that time, prices were soaring in response to a drought in Brazil, the biggest exporter, which cut its crop by almost two thirds; in recent weeks, however, the resumption of quotas has been seen as the market's only short-term source of solace.

The consensus among the more sober-minded analysts was that yesterday's panic selling was overdone, in view of the fact that stocks held by most producers are not that large and supplies may turn out to be fairly tight again in the autumn.

Exaggerated accusations of bad faith, too, were being hurled back and forth by producers and consumers – with the biggest consumer, the US, accusing the biggest producer, Brazil, of intransigence, and vice versa.

But the deep divisions between and within the two camps this week raises questions of considerable significance for the future of the coffee market; for efforts to rig commodity prices by agreement between producers and consumers in general; and for the approximately 50 Third World producing countries – from Colombia to Uganda – which derive varying proportions of their foreign exchange earnings from coffee.

The dispute is highly political, exposing once again the shifts in attitude towards commodity cartels which have been apparent at least since the collapse of the International Tin Council more than 16 months ago.

Many producers, like the 16 nations in Latin America and Africa which depend on coffee for more than 25 per cent of their export earnings, have been increasingly desperate for the return of quotas in order to stop the price slide which began last autumn.

Before they agree to such a move, however, leading consumers, including the US and some of the more hawkish European nations (the UK, West Germany and the Netherlands, for example), want an adjustment of market shares between the leading exporters.

This is the first time that importers have sought to interfere in the distribution of export quotas – a measure of their increasing frustration in recent years at the inflexibility of the International Coffee Agreement. Quota shares under it have changed little since the late 1950s, and are calculated from a series of delicate political equations concerning, for example, the overwhelming influence of Brazil.

All too often, however, quotas are out of line with actual availibility of coffee from individual exporters, say the consumers; thus Brazil has not been able to export anything like its full entitlement in the past year as a result of the drought.

The importers want to introduce what they call objective criteria, based on recent production and current stocks, for the calculation of quotas. But their plan would mark out clear winners and losers.

The principal losers – those who would have to sacrifice market share – would be Brazil and the Ivory Coast. The potential winners include Indonesia, a rapidly growing producer in recent years but thoroughly unpopular with other exporters, and Colombia, the second biggest producer.

Hence the political sparks which have flown this week. Brazil has always refused to countenance any reduction in the 30 per cent market share it has been guaranteed under the agreement. But a number of other producers – including such highly coffee-dependent allies as Honduras and Costa Rica – are becoming increasingly vocal in demanding to be allowed to export more.

In an unprecendented development for the coffee trade, eight of them have banded together in a breakaway group to press for better treatment.

It was these gaps which proved unbridgeable this week. And although ICO officials were not ruling out further efforts to reach agreement in the next few weeks, many of those involved now believe it will be September at the earliest before there is any prospect of quotas returning.

By that time, Brazil may well be in a much stronger position, with a bumper harvest and rebuilt stocks.

As the free-for-all continues, minds are already turning to negotiations for a new coffee pact to replace the current one when it expires in September 1989. The acrimony surrounding this week's talks does not augur well.

Reagan struggles to replace CIA chief

By Lionel Barber in Washington

A CONCERTED White House campaign to show that President Ronald Reagan is ready to rebound after last week's devastating report on the Irangate scandal faltered yesterday as the search for a new Central Intelligence Agency (CIA) director ran into difficulties.

President Reagan will tonight deliver a televised nation-wide address in what is being billed as a make-or-break effort to rescue his presidency

The search for a new CIA director to replace Mr Reagan's earlier nominee, Mr Robert Gates, has proved extremely difficult. Mr Marlin Fitzwater, chief White House spokesman, was unable to say yesterday whether an announcement would be made in the next 24 hours.

The Washington Post reported yesterday that Mr John Tower, the former conservative Senator from Texas who chaired the three-member panel investigation into the arms scandal, had turned down the CIA job.

Mr Tower's refusal underlines the problems the President and his Chief of Staff, Mr Howard Baker, face in attracting high class people to fill jobs in the final two years of the creaking Reagan presidency.

Mr Gates withdrew his nomination on Monday, bowing to pressure from Congress, which was unhappy about his failure to disclose in testimony full details about the CIA's knowledge about secret US arms shipments to Iran.

Mr Gates was nominated to succeed Mr William Casey, who resigned as CIA director after he had a brain tumour removed last December. Among the potential successors are Mr Brent Scowcroft, former National Security Adviser to President Gerald Ford and a member of the Tower panel, and Sen Malcolm Wallop, the Republican from Wyoming.

Congress is determined to root out the covert operations in Central America led by Mr Casey and their links to the arms scandal. These investigations, coupled with renewed media interest in the agency's activities, will make the CIA director's job a tough one

£ falls back from five-month high as dealers take profits

BY JANET BUSH IN LONDON

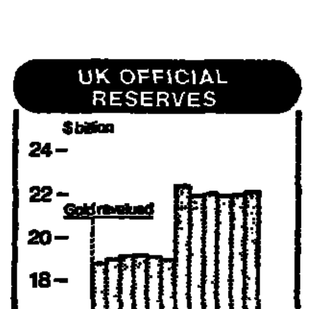
STERLING opened in Europe yesterday at its highest level since September but faltered as dealers took profits after the currency's strong rally which had come in the wake of the Paris accord between leading Western industrial nations.

The selling was encouraged by reports in the market that the Bank of England had been intervening to stop the pound's rise. It appears, however, that any selling of pounds by the Bank was modest and constituted part of a continuing strategy to replenish Britain's gold and foreign currency reserves which were run down last autumn when sterling was weak.

Figures released by the UK Treasury yesterday showed the Bank had been selling sterling and buying foreign currencies throughout February, leading to an underlying rise in the reserves of $287m.

The actual rise during the month was $305m, taking the total of reserves to $22.26bn. The actual rise in reserves in January had been $29m and the underlying increase $72m.

The pound ended in London yesterday at $1.56 compared with Monday's $1.564 and at DM 2.86 after DM 2.865. It had reached highs yesterday of $1.8385 and DM 2.8700. The Bank of England's trade



weighted sterling index ended at 70.6, little changed from the previous close of 70.7 but well down on yesterday's opening 70.9.

Foreign exchange dealers drew a link between the reports of official sales of sterling with remarks made by Mr Nigel Lawson, the Chancellor of the Exchequer, in Paris. He said that he did not want sterling to fall any further but that he did not want it to rise too far either.

All the indications suggest that the authorities are keen to dampen unbridled enthusiasm for the currency which could build up pressure for a cut in base lending rates before the British budget on March 17.

The Bank's sales of sterling over past weeks appear to have been inspired not only by a desire to build up reserves again, but also by a wish to "take the froth" off sterling's rally. It seems unlikely that the Bank would oppose rate cuts after the budget and that the current resistance to lower rates is based more on timing considerations than fundamental economic concerns.

Perhaps in a similar effort to dampen current optimism about base rate cuts, Treasury officials yesterday seemed to be trying to moderate any positive impact from the rise in reserves which was higher than many forecasts.

They took care to point out that the size of the underlying rise was not particularly dramatic or unusual and noted that reserves had risen by more only last June when they increased by an underlying $291m.

Underlying reserves had fallen, they noted, by $1.19bn in the four months from July to October last year and had risen by $490m in the four months from last November to February, thus reversing part of the decline in reserves seen last autumn.

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US shelves plan to ease bank rules

BY ANATOLE KALETSKY IN NEW YORK

THE US Senate has shelved legislative plans which would have allowed expansion of commercial banks in the securities business.

Senator William Proxmire, chairman of the Senate Banking Committee and a long-time supporter of the commercial banks' position on this issue, said yesterday that his proposals to break down some of the present distinctions between commercial and investment banking had generated "a whale of a lot of opposition" from other members of the committee and would not be presented to Congress this year.

In a further temporary setback for the commercial banking industry, Sen Proxmire said in a speech to the US League of Savings Institutions that he would propose legislation to bar the Federal Reserve Board for one year from using its administrative discretion to approve new securities activities by Federally-chartered banks.

Such administrative approval has been one of the major avenues available for large banks to expand their securities dealing in recent years. But it generated increasing opposition among Congress, which has accused the Fed of allowing banks to circumvent the law as it now stands.

Another feature of the forthcoming bill, which Sen Proxmire would present to the Banking Committee this week, will be a ban on so-called "non-bank banks."These institutions have enabled banks to extend their interstate operations by opening branches which collect deposits or make loans, but not both.

Sen Proxmire said that the one-year moratorium on Fed action was designed partly to force Congress to face the issue of reforming the securities laws by next year.

Sen Proxmire's proposals would automatically restore the Fed's powers to approve new securities activities after the temporary ban, in the absence of new legislation from Congress. This would "put pressure on the Banking Committee to act in the future," Sen Proxmire said.

New head named for Britain's ECGD

By Peter Montagnon, World Trade Editor, in London

THE UK Government has appointed Mr Malcolm Stephens, export finance director of Barclays Bank, as new head of its Export Credits Guarantee Department (ECGD), Britain's official export insurer.

The appointment ends a long period of uncertainty for the ECGD. The government has been looking for a chief executive since September when its present head, Mr Jack Gill, announced plans to retire early at the age of 56.

Mr Stephens, 49, is no stranger to the ECGD. He worked with the agency between 1965 and 1982 when he left to join Barclays but his private sector experience is thought to have been a strong factor with the government, which has sought to make the deficit-ridden ECGD more commercially oriented.

Mr Stephens rejoins the ECGD at a time when it has been in the political limelight because of the deficits it notched up as a result of the recession of the early 1980s and the developing country debt crisis.

However, Mr Stephens, who is joining on a permanent basis rather than on temporary secondment from the private sector as at one stage proposed, was yesterday cautious about predicting change.

"I haven't been asked to do a long list of things. The actual brief has been left fairly open," he said.

The ECGD's top job is one of the most senior government posts for which a private sector candidate has been sought.

Finding a well-qualified candidate has been made more difficult by the advertised salary range of £41,500 to £43,500.

Neither the ECGD nor Mr Stephens would comment yesterday on his salary. It is understood to be higher than that advertised, although Mr Stephens is expected to take a significant cut in earnings

Analysis, Page 8

THE LEX COLUMN

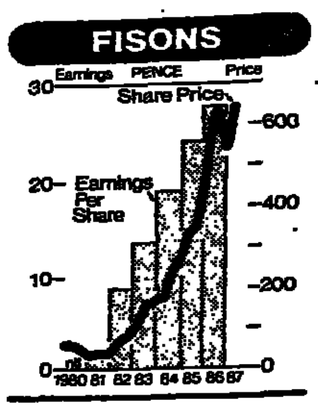
Fisons takes a breather

If companies were rated solely on their record, Fisons' multiple would be even higher than 22.8 times the earnings reported yesterday, which is where the market left the shares, down 16p at 626p. But the market wants the assurance of continuous rapid growth to put super-multiples on shares, and its lack of certainty has allowed Fisons to underperform lately while other drug companies shares have been surging. That may have as much to do with fashion and Fisons's comparative aloofness than the slackening in its growth rate, after the exceptional advance of the past few years.

It is true that Fisons is about 40 per cent a patent drug company, although the rest comprises similary high-multiple type businesses – consumer products and highish-tech. And asthma has not got quite the urgency of Aids. But the newly-launched Tilade is set to become a big earner for Fisons over the next few years, so long as approvals in overseas markets are gained and doctors learn to trust its capacity to prevent attacks, perhaps reducing the use of other drugs.

The next product in the pipeline, the cardiovascular drug Dopacard, will not match Tilade for sales, and Fisons is not prepared to talk about anything further out, so there is an understandable concern that a gap might appear. Meanwhile the scientific equipment division has strong positions in growing markets and the horticulture side might yet reap some benefits from higher prices following last year's peat problems.

If a management's ability to earn a high return on capital and make sensible acquisitions – as well as having an uncanny knack of managing tax and foreign exchange to its advantage – is to count for anything in a share rating, Fisons prospective multiple of 18 or so is not demanding. And if overseas interest in the shares picks up from the current 2 or 3 per cent, strangely low for a company whose business is 80 per cent abroad, that multiple should rise.



STC

You have got to hand it to the rescuers of STC: a company that was headed for the knacker's yard 18 months ago has done the corporate equivalent of turning back and cantering round Aintree.

After a cash inflow of £248m in 1986, the balance sheet improbably contains net cash, while costs have been squeezed so hard that operating profit is virtually back where it was in 1984, on a much smaller operating base.

The financial turnround has been sufficiently well discounted to make STC an unstoppable share for months past; yesterday's 35p rise to 227p suggests that the extent of STC's bottom-line revival – £157m – had nevertheless been underestimated.

To make a longer-term case for living with the shares demands faith in ICL, now 60 per cent of the business, and in the growing market for telecoms transmission devices that by-pass main exchanges. STC has a lead here, in programmable multiplexer equipment that makes use of ICL hardware, but to assume that this will prove the vindication of STC's old rhetoric about technological convergence requires strong nerves.

Unilever

Since filing its offer for Chesebrough Ponds at the beginning of December, Unilever has gone through a sticky three months in the stock market. Perhaps it goes to show that even the most eagerly-awaited of mega-deals takes a toll of the bidder's relative performance – at least until the surplus assets have been turned back into cash. Whatever the explanation, Unilever has now has made it quite clear that it has had enough of being an equity wall-flower. The shares are being split in five, to make them less indigestible, the PLC dividend is being raised by 30 per cent and some over-aggressive depreciation policies are being loosened up, which will give a modest lift to 1987 profits.

A guilder dividend increase of less than 3½ per cent may suggest that despite a strong guilder, NV shareholders are getting the rough edge of the equalisation agreement: even after knocking off the more unbuttoned UK form of inflation, the PLC shareholders are getting a real increase of about a quarter. Seen through the sterling accounts, the UK rate of distribution seems fair enough; and it could, at a pinch, be read as a pointer to the day when the US detergent business will stop investing in its future and start to make money. That will probably not happen until Unilever is satisfied that it is giving serious trouble to Procter in its home market.

Templeton

Fund management shares are supposed to be the way to take a clean bet on a continuing bull market, but Templeton may well be the one to hold in less glamorous times. Getting out of Japan when that market was on a multiple of a mere 25 times earnings may not be the sort of strategy to push Templeton funds up the performance ratings, but at least unit holders know they need not stampede to redeem in a bear market.

There appeared to be a bit of a rush to sell Templeton's own shares yesterday, after the announcement of just a 46 per cent rise in pre-tax profits, to $44m; the price fell 13p to 263p. The concern was based on the fact that second-half profits were lower than the interim results.

Yet the tendency of Americans to pile in their mutual fund applications just before the end of the tax year will alway give Templeton a first-half bias. Also the second half absorbed the costs of launching two new funds and opening an office in Hong Kong.

Although Templeton may appear large by UK standards it is not a big fish in the US pool, and so remains very highly geared to the switch of US investor interest towards mutual funds. The company could make close to $60m this year, valuing the shares at little more than 14 times earnings. That is a market multiple for a company which has prospects of sustaining well above the average growth.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	15	59	Dubrovnik	S	9	48	Malta	S	17	63	Rhodes	C	13	55
Algiers	S	21	70	Edinburgh	S	7	45	Manchester	C	1	34	Rio de J'o	S	31	88
Amsterdam	S	-3	27	Faro	S	26	79	Manila	S	32	90	Rome	S	17	63
Athens	R	11	52	Florence	S	13	55	Melbourne	S	22	72	Salzburg	Sn	-8	18
Bahrain	S	27	81	Frankfurt	S	-6	21	Mexico City	S	28	82	San Francisco	F	14	57
Bangkok	C	31	88	Funchal	S	22	72	Miami	F	17	63	Seoul	C	5	41
Barcelona	S	17	63	Geneva	C	3	37	Milan	S	15	59	Singapore	F	31	88
Beirut	S	16	61	Gibraltar	S	27	81	Montreal	Sn	-8	18	Stockholm	S	-11	12
Belfast	S	6	43	Glasgow	F	6	43	Moscow	Sn	-15	5	Strasbourg	Sn	-4	25
Belgrade	S	-8	18	Guernsey	R	3	37	Munich	Sn	-8	18	Sydney	R	19	66
Berlin	F	-6	21	Helsinki	S	-13	9	Nairobi	S	29	84	Taipei	S	22	72
Biarritz	F	11	52	H. Kong	C	18	64	Naples	F	16	61	Tangier	S	21	70
Bombay	S	35	95	Innsbruck	Sn	-1	30	Nassau	C	29	84	Tel Aviv	S	17	63
Bordeaux	F	9	48	Inverness	S	5	41	New Delhi	S	25	77	Tenerife	S	28	82
Brussels	S	-3	27	Islamabad	C	26	78	New York	F	2	36	Tokyo	S	11	52
Budapest	S	-7	19	Istanbul	F	19	59	Nice	S	17	63	Toronto	C	-4	25
B. Aires	C	36	95	Jakarta	R	31	88	Nicosia	C	14	57	Tunis	S	17	63
Cairo	F	19	66	Jersey	C	3	37	Oporto	C	13	55	Valencia	S	24	75
Cape Town	S	28	82	Jo'burg	F	27	81	Oslo	S	-11	12	Venice	C	4	39
Caracas	C	28	82	Lima	S	26	78	Paris	C	-2	28	Vienna	S	-8	18
Casablanca	S	21	70	Lisbon	S	21	70	Peking	–	—	—	Warsaw	F	-13	9
Chicago	S	-2	28	London	S	3	37	Prague	S	-8	16	Washington	C	8	46
Cologne	S	-4	25	Los Angeles	F	12	54	Reykjavik	R	4	39	Zurich	Sn	0	32
Copenhagen	S	-9	16	Luxembourg	S	-5	23								
Corfu	F	16	61	Madrid	S	19	66								

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

UK group runs foul of takeover rules

BY MIKE SMITH IN LONDON

THE UK takeover panel yesterday ordered Hepworth Ceramic, the building materials group, to sell part of its stake in Birmid Qualcast, the foundries-to-lawnmowers company with which it wants to merge.

The ruling follows the first breach – by Hoare Govett, Hepworth's broker – of conflict-of-interest rules introduced to the takeover code last October to cope with problems posed by the Big Bang deregulation of the London securities market.

Hepworth bought the 3.5m shares, representing 5 per cent of Birmid's equity, on Monday and Tuesday last week, through the broking arm of Hoare Govett. The breach in the post-Big Bang rules occured partly because the purchases were made from Hoare Govett Securities, the market-making subsidiary of Hoare Govett.

The code says that in a takeover, the predator and any parties acting in concert with it must not deal as principals with a market maker connected with the bidder.

The panel ruled that the takeover code rules applied to Hepworth at the time because it had announced on Monday morning that it was seeking a merger with Birmid.

Hoare Govett was also faulted for its slowness in disclosing the build-up of Birmid shares. The code requires market makers which are connected with a bidder to tell the stock exchange if it has bought shares on noon of the day following the purchases. The dealings in Birmid were not reported until Wednesday afternoon.

The panel said yesterday it accepted Hoare's explanation that the breaches had arisen from an oversight.

Following the placing with institutions of the 3.5m shares yesterday, Hepworth still has 3.25m of Birmid's equity and is free to add to this provided there is no breach of the takeover code. Birmid has said it will strongly resist any takeover

Mr Michael Rose, compliance officer at Hoare Govett, said his company accepted that it had breached the takeover code, but it had not been intended.

JOBS

Not either experience or intellect, but both

BY MICHAEL DIXON

WHAT CAN it all ever mean?

The Jobs column asked that question last week about the results of research into how people do complex work such as managing. The resarch studies, made by Donald and Margaret Broadbent and Peter Fitz-Gerald at the Oxford University department of experimental psychology, produced several findings which seem to conflict with "commonsense" beliefs.

One such belief is that there are two things which both inevitably improve someone's ability to do a complicated job. The first is the development of a greater intellectual understanding of the principles underlying the work. The other is practice at doing it. But that belief was firmly denied by the Oxford studies.

Intellectual understanding of principles did not have the effect that commonsense would expect. When it came to actually running a simplified managerial-type system, people who correctly answered questions on how it worked often proved worse than people who answered the questions wrongly. Moreover some of them got better at running the system with practice even though their intellectual understanding of it deteriorated as they went along.

But they did not all improve with practice either. Some got worse at running the system as they went along even though their intellectual grasp of the underlying principles meanwhile increased.

Those findings clearly undermine our longstanding beliefs in the necessarily beneficial effects of both principled understanding and practice — which, now jobs in general are becoming more and more complicated, is surely important. While the evidence of the studies suggests that our old beliefs about how people acquire complex skills are wrong, however, it does not tell us what new beliefs we need to adopt instead. So I asked Dr Donald Broadbent, who led the research, what it might all ever mean.

He began by explaining that those of us who do complicated jobs are typically faced with a series of linked challenges. We are confronted with a situation that requires us to act. The action we take results in a fresh situation which requires further action . . . and so on. And as each successive challenge comes up, we have two different bases from which we can go about deciding what to do next.

One of those bases is a set of principles stored in the mind which we can express in words, figures and the like. We can use those principles to look ahead intellectually, asking ourselves the question: which of the various possible things I can do in the present situation is in theory most likely to lead to the result I want to achieve?

The second base is experience, which although we may not be able to voice what it tells us, we are able to consult by checking back on it. On being confronted with a new situation we simply look for ways in which it is similar to other situations we have successfully dealt with before and act accordingly, without bothering to think out intellectually the principles on which we are acting.

"So knowledge on the basis of principles which you can spell out is different from know-how which you can't. But that is not to say the two kinds of understanding are entirely independent of one another," Donald Broadbent said.

"There's an interplay between the two. If I tell you the way to the shops, the result will almost certainly be an improvement in your ability to get to them in practice. And if you find your way to them by trial and error, the result will equally be an improvement in your ability to tell other people how to go there.

"Even so it seems that as the tasks that confront people in real-life become more complicated, the more they seem to work by checking back on experience which they can't communicate verbally or on paper."

Consequently he agrees that where activities such as management are concerned, it is wrong to assume that people who are good at showing intellectual understanding—such as the graduates of university business schools, for example—will do better in practice than those who are not.

While admitting that the importance of intellectual abilities is often overestimated, however, Dr Broadbent equally believes that practical skills are not enough in themselves.

"Relying on experience to produce the right answer only holds up as long as the circumstances of the work remain much the same as they have been before. But when the circumstances are changing, principled understanding of the type that is imparted by formal education becomes increasingly essential. New technology, for instance, has left a good many previously successful managers unable to cope well at all.

"In the way the working world now appears to be developing, it seems clear that it is no longer enough for people to be good at either book-learning on the one hand or practical know-how on the other. Everyone will more and more need to be proficient at both."

THE WORLD' 20 DEAREST PLACES TO VISIT ON BUSINESS

	Daily cost £		Daily cost £
1 Tokyo	192	11 Amsterdam	129
2 Stockholm	158	12 Kingston, Jamaica	127
3 Baghdad	157	13 Kuwait	126
4 New York	155	14 Khartoum, Sudan	125
5 Helsinki	146	14 Port Moresby, Papua NG	125
5 Oslo	146	16 London	123
7 Geneva/Zurich	142	17 Frankfurt	122
8 Copenhagen	135	18 Muscat, Oman	119
9 Paris	134	19 Douala, Cameroon	118
10 Milan	132	20 Bahrain	117

Travel expenses

READERS whose jobs involve them not only in a complexity of tasks but also in travelling to a variety of countries may find value in the table above.

It shows the 20 most expensive places for business people to visit as revealed by surveys which were made towards the end of last year by the Employment Conditions Abroad consultancy. (Anyone wanting more information about the findings should contact ECA's Barry Rodin at Anchor House, 15 Britten Street, London, SW3 3TY; Telephone 01-351 7151, Telex 299751 Eureca G.).

The "Daily cost" figures represent the estimated total expenses of the business visitor who stays in a four-star hotel, eats in a good class restaurant, and travels about the place in question by cab or hire-car. Mr Rodin says that, although the costs are given in sterling at the exchange rates prevailing last September, the different places' relative expensiveness would be much the same in terms of other major currencies.

"There are huge fluctuations not just in the overall costs but in the prices of the elements that make them up," he adds. "For instance, a top-class hotel room ranges from a mere £15 in Casablanca to £90 in New York. And the drink that would cost you 90p in Botswana rockets to over £6 in Japan and Iraq."

Jonathan Wren

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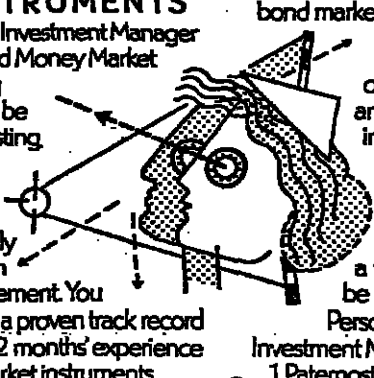

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No 1 London Bridge
London SE1 9QL

Price Waterhouse

OCCASIONALLY, THE CHANCE TO DEVELOP A NEW ERA IN BANKING FACILITIES ARISES.

CHEMICAL BANK

This is one of them

Today's financial markets are truly global in scope and, by using computer systems of unprecedented power, they operate without pause.

So any business which hopes to manage its cash flow effectively, or exercise control over its resources, must be able to transact business, quite literally, at the touch of a button.

And that's where [illegible] users have an advantage which cannot be challenged.

Essentially, it's an electronic link which allows corporations immediate access to their banks' services anywhere in the world, directly from their offices.

Its success in the United States has confirmed it as a major financial management tool, and now we're preparing to repeat its success in Britain, Europe and beyond.

Assistant Product Manager

c£20K plus banking benefits — London

The area of responsibility in this post is unusually broad, involving project management, customer support (including trouble-shooting) and administration. There is also a need to act as back up for the Product Manager during his absences on international business.

You'll also specialise in generating [illegible] product literature and market data, managing departmental budgets and contributing to the marketing strategy.

Surprisingly perhaps, a detailed understanding of systems technology is not essential. You must, however, have one or two years' commercial operations experience, a user-level knowledge of on-line systems and the ability to set, then pursue, clearly defined objectives.

You must also be prepared to put aside conventional limits in order to take the lead in what is likely to be a major development in international financial management.

In return for which, we'll be adding a full range of banking benefits, including mortgage subsidy, profit sharing, loan schemes, free medical plan and free restaurant.

For immediate consideration, either telephone or send your c.v. to: Bob Hicks, Personnel Department, Chemical Bank, 180 Strand, London WC2R 1ET. Tel. 01-379 7474.

BRF/United Kingdom

Mortgage Financing

UK Mortgage Manager

London — **£ Attractive Package**

As a result of recent expansion *our client*, a major Danish Mortgage-Credit institution, is preparing its launch into the UK lending market.

Consequently they seek to recruit a *manager to take* responsibility for the establishment of a Central London branch and to spearhead their entry into the mortgage market.

The *ideal candidate, preferably* aged 30-40, will have a background in management in a banking or mortgage environment. A proven track record in business development and marketing in a lending environment is essential. However, the successful applicant will also be responsible for liaising with solicitors, valuers, borrowers and insurers, as well as supervising the day-to-day administration of the branch.

This is a unique opportunity for an ambitious and highly motivated individual to join an already successful organisation at the start of a major expansion programme.

Interested applicants should contact **Catherine Fitzsimons** on **01-404 5751**, or write to her in confidence at Michael Page City, 39-41 Parker Street, London WC2B 5LH.

MP

Michael Page City

International Recruitment Consultants – London Brussels New York Paris Sydney
A member of Addison Consultancy Group PLC

Head Up Straights Trading

Leading Continental Investment Bank

This well respected international investment bank which is significantly expanding its participation in world markets has enjoyed a strong presence in the UK since 1980. As *evidence of the London Branch's commitment to the bond market,* it now wishes to appoint a senior straights dealer to head up and direct activities in all aspects of fixed income trading.

Reporting directly to the Bonds Manager, you will be responsible for active portfolio management, and will take an interest in all new issues and US Treasury Notes. As well as establishing a sound trading operation, you will also be responsible for developing a firm retail base. The growth of the straights operation will be a measure of your success in developing both the trading and sales activities.

You will have a minimum of 2-3 years' experience trading fixed income bonds in various currencies. Familiar with an active trading environment, you will welcome the opportunity to *deal* at your own *discretion* and *develop your own strategy for the straights* team.

An excellent salary, plus bonus and usual banking benefits form part of the competitive package offered by the bank. Please telephone or write to Kathryn Barnes or Matthew Wright of Cripps, Sears & Associates Limited, Personnel Management *Consultants, International* Buildings, 71 Kingsway, London WC2B 6ST. Tel: 01-404 5701.

Cripps, Sears

Fund Manager – North American Equities

An opportunity for an Investment Analyst to gain fund management responsibility with a top quality company

This is an outstanding opportunity to play a prominent part in an expanding area of the investment function in a top quality UK institution. With investments in North American Equities now approaching $1 billion, the Senior Fund Manager requires the additional support of a person capable of making an immediate contribution to stock selection decisions based on the analysis of US and Canadian Companies. You will be given immediate responsibility for managing a part of the fund and this will be increased as your experience grows.

You are likely to have already spent at least two years in North American Equities analysis preceded by experience as an Analyst in other areas. You will probably be a graduate and are likely to be in your mid-twenties. You will enjoy working in a team-orientated atmosphere and must possess good interpersonal and communications skills.

The compensation package offered is very attractive and includes a high basic salary, performance related bonus, subsidised mortgage and non contributory pension scheme. The Company offers excellent career development prospects.

To apply, please write in complete confidence to John Sears and Associates, Executive Recruitment Consultants, Cavendish Court, 11/15 Wigmore Street, London W1H 9LB or telephone 01-629 3532.

John Sears and Associates

A MEMBER OF THE SMCL GROUP

Execution Specialist

Capital Markets

Bankers Trust is one of the world's most successful merchant banks of recent years. Our international reputation reflects the integrity and innovative approach we display in the financial services marketplace, and the calibre of the professionals who work with us.

We now seek an Execution Specialist, to add a significant contribution to the negotiation, structuring and implementation of capital markets mandates. You must have at least 2 years' sound experience in *worldwide capital markets and loan syndication gained within a major investment or merchant bank,* or within a commercial law practice. Aged 25-35, your track record should demonstrate an approach to structuring deals that combines innovation and practicality, backed up by a highly disciplined approach to settling mandates.

This critical area, expanding rapidly, offers suitable candidates a demanding personal challenge, creating exceptional prospects, with the rewards appropriate to senior, successful individuals.

Please write with full career details to Sheila Stevenson, our Consultant, at Moxon Dolphin & Kerby Ltd, 178-202 Great Portland Street, London W1N 6JJ.

Bankers Trust Company

MARKETING SUPPORT
c £14,000

A Well-established European Bank is seeking a young Banker *with flair and* imagination and a *minimum of* 2 years credit experience *to provide* marketing *support to two* Business Development Officers within its UK Corporate area. An excellent benefits package is available which fully reflects the status of our Client Bank.

SNR. CREDIT ANALYST
To £18,000

A Leading European Bank requires an additional Senior Analyst with UK and Overseas Corporate Analysis experience to join a small professional team and be responsible for the actual preparation and monitoring *of credit proposals* for *Corporate* Customers. The position involves an element of staff supervision.

U.K. MARKETING OFFICER
To £30,000

A Prime International Bank with an expanding London Office wishes to appoint a person with a minimum of 5 years solid UK Marketing experience, especially in the project and *property finance areas.* The successful candidate will be responsible for the subsequent recruitment of a support team. A full benefits package is available.

Skeels Associates

Bank Recruitment Consultants

2 London Wall Buildings
London Wall London EC2M 5PP

Tel: 01-588 2081

Samuel Montagu & Co. Limited – part of Midland Montagu – is now recruiting additional executives for its expanding Corporate Finance Division.

CORPORATE FINANCE

A Chartered Accountant or a qualified solicitor, with at least one year's post qualification experience with a major City firm or merchant bank.

Self-motivated and able to demonstrate high standards of professionalism with a strong determination to succeed.

Prospects for progression are excellent. The remuneration package is highly competitive and will include the usual banking benefits.

Please write with full personal and career details to:

Ian McIntosh, Managing Director, Samuel Montagu & Co Limited, 114 Old Broad Street, London EC2P 2HY.

SAMUEL MONTAGU & CO. LIMITED

MOTOR TRADE

Senior Manager and Director with extensive experience in Retail, Distribution and Importerships is shortly retiring age 57 Interested in position as Non Exec Director or part time Director in Motor Vehicle business

Write Box A0431, Financial Times 10 Cannon Street London EC4P 4BY

Marketing Manager

Financial & Accountancy Services

London **c.£25,000 + car**

Our client is one of the UK's leading accountancy partnerships. It is well into the top 20 in the accountancy league, both nationally and internationally, and is highly regarded for the breadth and quality of its services and the personal commitment of its partners.

The partnership offers extensive financial advisory and accountancy services to a wide cross-section of industry, public bodies and individuals. In a new appointment, an outstanding young marketer is sought to plan and execute a strategy to promote increased awareness and continued strong growth of the firm.

Aged around 30 and a graduate, you will already have a record of successful strategic planning and effective marketing in a service industry. A knowledge of the financial sector is highly desirable, as is the ability to think laterally and creatively, and to communicate soundly based views convincingly, in an area which only recently adopted sophisticated marketing practices.

A generous package will be negotiated. Success in this challenging position will open up exceptional opportunities for personal career development in this enlightened organisation, up to partner level.

Interested candidates, men or women, should write with full career details, including current earnings and contact telephone numbers, to Michael Chapman at:-

Marketing Appointments

• 11 Garrick Street • Covent Garden • London WC2E 9AR • Telephone 01-379 7879 •

Limited

CHEMICAL BANK

TREASURY ECONOMIST

As a result of the continued development of one of London's leading dealing operations we are seeking an individual to join our well-regarded team of corporate treasury advisers who provide technical and fundamental advice on foreign exchange and money markets. The team is in regular contact through telephone, information screens and telex with the senior Treasury staff of major companies operating in the UK and Europe and wishes to enhance its economic advisory capabilities.

Applicants will hold an Economics-related degree and have five years post-qualification experience in economic research or consultancy, preferably in the financial markets.

The Bank offers a highly competitive remuneration package, including bonus schemes and subsidised mortgage. To apply, please send full details to: Mark Hindle, Personnel Department,

Chemical Bank, 180 Strand, London WC2R 1EX.

DEVELOPMENT CAPITAL EXECUTIVE

Manchester **Aged 25-30**

County Limited, part of the NatWest Investment Bank is a leading British merchant bank offering a wide range of corporate financial services. The services provided by its Regional Offices include the provision of finance, equity investment and corporate advice.

We are now seeking to expand our existing team in Manchester with the appointment of a Development Capital Executive who will immediately be able to contribute to the development capital/finance activities of the offices. We would anticipate that the successful applicant will be a Chartered Accountant with previous experience in corporate finance.

The salary and benefits package, which will include a car, will be fully commensurate with the position.

Interviews will be held in Manchester but in the first instance, please write, enclosing full details of experience, qualifications and current salary to:-

Ian Carlton, Personnel Manager, NatWest Investment Bank, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2ES.

The NatWest Investment Bank Group

Operations Management

An exciting opportunity to join a world leader in international investment services at an early stage of their growth in Britain

This is a chance for you to obtain major responsibility for managing and organising people within a company that is one of the world leaders in international securities services. The Company provides custodial settlement and full portfolio accounting services to institutional investors worldwide. The increasing diversification of funds in international markets has created a rapidly growing demand for these services and the Company is well positioned to capture a major share of the market. It has an international network of offices and utilises the most sophisticated facilities and advanced systems. You would be responsible for managing operations by leading a team of young professionals. The key to success in this business lies in quality of operation and it would be your task to set and maintain standards of excellence.

To be a candidate you must have previous experience in securities operations or accounting gained either in a broker, bank, fund management business or accountancy practice and have excellent management skills. The Company offers a first class salary and benefits package and the opportunity to win promotion on merit in an exciting, growing business.

To apply, please telephone John Sears and Associates, Executive Recruitment Consultants on 01-629 3532 or write to us at Cavendish Court, 11/15 Wigmore Street, London W1H 9LB.

John Sears and Associates A MEMBER OF THE SMCL GROUP

Forward F.X. Dealers

Aged 23–28 **c£30K + Bonus +**

The London branch of one of the most prestigious and well established U.S. banking institutions is seeking to expand its forward foreign exchange dealing team.

Ideally you will be a graduate working within an active forward team and have already gained about two years' experience. It is paramount that you display a mature and creative approach and yet be able to blend into a highly professional and respected team.

Naturally the remuneration package will reflect the importance that our client attaches to this appointment.

Those interested should contact John Green in strictest confidence on 01-404 5751 or write to him at Michael Page City, 39-41 Parker Street, London WC2B 5LH quoting reference 3727.

MP

Michael Page City

International Recruitment Consultants–London Brussels NewYork Paris Sydney

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PRIVATE CLIENTS SALES MANAGER

Gartmore Investment Management Limited, a leading independent investment manager based in the City of London, seeks an outstanding candidate to assist in the development of its private client business.

This is a new position with specific responsibility for the promotion of discretionary management services, as well as a unit trust management service investing in a range of Gartmore unit trusts. Funds under management are growing rapidly from non-resident and UK investors.

Gartmore is looking for candidates with previous experience of private client management, possibly gained in stockbroking, backed by a record of conspicuous success in business development and portfolio administration. The successful applicant will enjoy an attractive remuneration package with the usual benefits attached, together with a seat on the board of the relevant subsidiary.

Applications in writing, giving full career details, should be sent to D. Sarchett, Gartmore Investment Management Limited, 2 St. Mary Axe, London EC3A 8BP.

Gartmore

GARTMORE INVESTMENT MANAGEMENT LIMITED

£3 billion under Group Management

BOND ANALYSTS

to £60,000

Our client, a leading European Investment Bank, requires experienced Bond Analysts to join their expanding Economic Research Department. Ideally you will be aged 25-30, a graduate or MBA with passable German and at least one year's experience.

Contact James Jarratt on 01-588 4303.

LEGAL DOCUMENTATION

to £80,000

Our client, a major Securities House, requires Legal Documentation Specialists with experience of Bond issues gained either in a Securities House or firm of City Solicitors.

Contact James Jarratt on 01-588 4303.

TOM KERRIGAN ASSOCIATES

(Recruitment Consultants)

20 Wormwood Street, London EC2

Prominent firm of Regional Stockbrokers based in Manchester require Experienced

TRADED OPTIONS ADMINISTRATOR

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Remuneration package by negotiation

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Oppenheimer

WANTED

Enthusiastic person to select stocks with outstanding recovery potential worldwide.

The person we are looking for need not be an existing unit trust fund manager but could be a stockbroker with a flair for picking stocks with significant turnround potential. An ability to articulate ideas clearly at all levels is essential.

Those interested please call Martyn Page on 01-489 1385 or write to him at Oppenheimer Fund Management Limited, 66 Cannon Street, London EC4N 6AE.

CITY

While the post 'Big Bang' market is more subdued than that of the summer of 1986, there are still openings for quality candidates who are concerned about their current employer's market position at this time.

STOCKBROKING

INSTITUTIONAL SALES

Fletcher Jones are currently retained by a major international Securities House to recruit three experienced UK Equity Salespersons. Candidates should be aged between 25-30 years and have good existing connections. Salary/Bonus c. £100,000 plus mortgage subsidy, motor vehicle and other benefits.

Fletcher Jones are also retained by a well-respected London based broker to recruit an additional European Equity Salesperson. Our client has built up a significant market share in this sector and require a further Salesperson to market their highly regarded European Research. Candidates should be aged between 25-40 years with Institutional Sales experience. Languages would be an advantage. Salary/Bonus £35-50,000 plus mortgage subsidy, motor vehicle and other benefits.

RESEARCH ANALYSTS

Fletcher Jones also have a number of UK Equity Analysis assignments including the following sectors:— Electronics, Consumer/Retail, Chemicals and Automotive.

Candidates should have a minimum of three years' experience in their sector and be aged between 25-35 years. Salary/Bonus £40-60,000 plus mortgage subsidy, motor vehicle and other benefits.

INSTITUTIONAL PORTFOLIO MANAGEMENT/ANALYSIS

Fletcher Jones are currently retained by several leading City Institutions to recruit Portfolio Managers/Analysts in the following Equity markets:— UK/Europe, Japan/Far East and North America.

Candidates must have a minimum of one years Institutional Analysis experience and will be aged between 24-30 years. Remuneration consists of Basic Salary of £15-25,000. Bonus and benefits are applicable on a number of assignments.

SCOTLAND

Edinburgh and Glasgow's prestigious growth as an independent centre of Institutional Investment Management, has led to Fletcher Jones being retained on an increasing number of Scottish assignments.

INSTITUTIONAL PORTFOLIO MANAGEMENT/ANALYSIS

Current assignments include a number of clients looking for Institutional Equity Analysts to cover the major world equity markets, i.e. North America, Far East, UK and Continental European.

Candidates should have a minimum of 18 months analytical experience with an institution, be aged between 24-30 years and educated to degree standard. Compensation paid by client companies in the above sector varies between £14-22,000 and in most cases has the additional benefit of a material bonus element or a mortgage subsidy.

EQUITY DEALING

"Big Bang" has put increasing pressure on Portfolio Managers/Analysts to secure the best short-term market price and in this increasingly complex dealing situation, our client has decided to take the responsibility away from the individuals working on investment strategy and form a separate Dealing Department. We are retained to secure the services of an experienced Institutional Dealer to lead a small team.

Candidates should be aged 28-35 years and will receive compensation of c. £20,000 plus benefits including relocation allowance where applicable.

For further information on the above please telephone, or write enclosing a curriculum vitae in confidence to:—

FLETCHER JONES LTD
Search & Selection

Mr. John G. Osborne,
Fletcher Jones Ltd.,
9 South Charlotte Street,
Edinburgh
EH2 4AS
Tel: (031) 226 5709

Mrs. Kathleen M. Aitken,
Fletcher Jones Ltd.,
4a William Street,
Knightsbridge,
London, SW1X 9HL
Tel: (01) 245 6377

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Connaught

TORONTO DOMINION BANK

FINANCIAL ANALYST

The Toronto-Dominion is one of Canada's major international banks, with a substantial London presence established over the past 75 years. Our assets are in excess of CDN$50 billion and we are one of the most strongly capitalised North American banks.

The continued development of our financial control and business planning function has created an exceptional opportunity for a well qualified financial officer. Reporting to the Manager, Finance and Accounting, the successful candidate will be responsible for the development of improved business planning, forecasting and financial reporting systems and techniques. Additional responsibilities include the design and implementation of accounting systems to meet changing financial reporting requirements and accommodate new financial/securities related products and services.

The successful candidate will be a highly motivated individual, with a M.B.A./professional accounting designation, coupled with a minimum of 2 to 3 years' directly related experience. Experience with mainframe, mini and micro computer processes for financial model building and knowledge of U.K. and international tax legislation are very desirable assets for this important role.

We offer a fully competitive salary and comprehensive range of employee benefits.

Please forward your C.V. in complete confidence to:-
Mr. J. W. Green, Manager, Human Resources,
The Toronto-Dominion Bank, Triton Court,
14/18 Finsbury Square, London EC2A 1DB.

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For further information call:
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01-248 4782
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01-236 3769

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FOR AN APPOINTMENT

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The London merchant bank of Société Générale, France

MERGERS AND ACQUISITIONS SPECIALIST

to join an existing professional team

We seek an experienced and innovative self-starter for our growing M&A activity. A proven record in concluding deals is essential

Candidates should possess a strong entrepreneurial flair and preferably have a good working knowledge of French.

Age: 40 plus.

An attractive package is offered, including performance-related bonus.

Please write in confidence, with CV, to:
Tom Orsler, Head of Management Services,
Société Générale Merchant Bank plc,
7th Floor, 60 Gracechurch Street, London EC3V 0ET.

U.K. FUND MANAGEMENT

Are you the sort of Fund Manager who would be at your best in an intellectually stimulating and lively atmosphere?

We are looking for someone aged between 25 and 35 with good academic or professional qualifications, who enjoys portfolio management. An enquiring mind, initiative, and integrity are just as important as experience.

Our remuneration scales have been designed to motivate one of the best fund management teams in the City.

Please contact:

Capital Search Consultants Limited
12 Well Court · London EC4M 9DN · Telephone: 01-248 5252

ASSISTANT ECONOMIST

London c.£16,000

We require a young, high-calibre economist to join our Marketing Department at this crucial time in our evolution — as we diversify into new markets and consolidate traditional business.

Working largely on your own initiative, you will forecast the Society's savings and mortgage lending and advise on a wide range of economic and financial matters. Through the analysis of this data, you will assist the Economist in recommending marketing policies and pricing structures to ensure the attainment of Society targets.

Qualified with a good economics degree, you will have at least 2 years' relevant experience of applied economics and econometrics, preferably with a financial organisation, and be familiar with computer techniques. Excellent communication and organisation skills, together with the ability to work under pressure and as part of a team, are essential.

The career opportunities are excellent and the highly-competitive salary will be accompanied by the range of benefits to be expected of a large financial institution, including profit-sharing scheme, BUPA and relocation assistance where appropriate.

Please write for an application package to Bill Whitehead, Personnel Officer, Abbey National Building Society, Abbey House, Baker Street, London NW1 6XL.

The closing date for applications, which are invited from all sections of the community, is 18 March 1987.

ABBEY NATIONAL BUILDING SOCIETY

International Appointments

CALDWELL

President

The Government of Canada will be seeking parliamentary authority to create The Canadian Space Agency. When established, The Canadian Space Agency will require the vision and leadership of the person who will make Canadian history as its first President.

Canada has distinguished itself in the aerospace field internationally. In order to continue to be a key player at the leading edge of this important technological frontier, the Canadian government intends to create:

The Canadian Space Agency

To take a leadership position in the aerospace industry and share in the huge technological benefits. Canada must coordinate its resolve and resources. The National Space Agency will spearhead the effort. It will provide a compelling voice and rallying point.

The first Chief Executive Officer must have the credentials, the energy and the vision to create and manage the organization. This senior aerospace or technological executive will exercise influence across business, academic and government boundaries, both here and around the world. Please express your interest in this historic position, in complete confidence. Contact us by telephone at any one of our offices.

If you wish to write, please quote Project 70123 and address your correspondence to La Société Caldwell 1840 Sherbrooke St. West, Montreal, Quebec H3H 1E4 or to The Caldwell Partners International 64 Prince Arthur Avenue, Toronto, Ontario M5R 1B4.

THE CALDWELL PARTNERS
INTERNATIONAL

Calgary 265-8780 · Dusseldorf 329191 · London 834-7966 · Montreal 935-6969 · Ottawa 238-3256 · Toronto 920-7702 · Vancouver 669-3550 · Zurich 211-2750

US BANK

Une Banque américaine recherche un

Merchant-banking officer

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Vous avez environ 5 ans d'expérience, préférablement dans une banque américaine, et vous parlez couramment anglais.

Votre sens de la négociation et vos qualités commerciales vous font souhaiter rejoindre une des principales banques américaines pour y faire du Merchant-Banking de façon très autonome.

Contacter Yves BOISSONNAT au (1) 40.70.00.36 ou envoyer un dossier complet (CV + rémunération actuelle + numéro de téléphone) à **Michael Page International - 19, avenue George V - 75008 Paris en mentionnant la réf. 775.**

MP
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RIYAD BANK
Head Office — Jeddah

SENIOR INSPECTORS

The Riyadh Bank, a leading Saudi Arabian Bank with a domestic network of 143 branches, is in the process of restructuring the Inspection Department and requires four Senior Inspectors to cover:

- Exchange and Money Market Operations
- Computer and other technological applications
- Credit Facilities
- General Administration (branch and head office).

Successful candidates, who will report directly to the Chief Inspector, will have a sound banking background and several years of experience in their field of specialisation at a senior level. For the first two posts ability to communicate in Arabic will be useful but not vital. For the two others fluent Arabic is essencial.

Salaries will range between U.S. $50,000 and U.S. $60,000 and a fully competitive package, including free accommodation, will be offered to those with suitable qualifications, experience and adaptability.

Applications, which must be in English, should be addressed to:
THE SENIOR MANAGER (PERSONNEL)
RIYADH BANK, P.O. BOX 1047
JEDDAH 21431, SAUDI ARABIA.

International Banking

Kenya

An established international bank with world-wide operations is looking for officers at various levels for its expanding operations in Kenya.

Candidates should either be graduates or be professionally qualified, age maximum 40, with 6 to 15 years banking experience. The successful candidate will have an excellent opportunity of career progression with this growing organisation. Kenyan nationality/residence is an essential requirement.

In addition to a competitive salary, the positions attract a range of benefits associated with major international companies.

If you are interested, please write with full C.V. and a recent passport photograph, to: Fiona Fellows, Ogilvy & Mather Focus, Chancery House, Chancery Lane, London WC2A 1QU.

Ogilvy & Mather Focus

Funding Manager

Saudi Arabia **Exceptional Financial Package**

Our client, a leading financial institution in the Middle East is currently seeking a first class individual to be based in the Eastern Province having prime responsibility for their money market and foreign exchange activities as well as responsibility for the planning, implementation and management of their longer term funding requirements.

Currently involved in Treasury Management you should ideally have thorough knowledge of foreign exchange and interest rates and be fully conversant with current Funding methods and procedures.

This is a challenging appointment requiring strong management abilities and progressive ideas in a competitive environment.

For candidates seeking career progression the rewards are excellent. There is a highly attractive tax free salary substantiated by a comprehensive martital status expatriate benefits package. Interested applicants should contact Simon Hewitt on 01-831 0431 or write enclosing a comprehensive CV to
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39-41 Parker Street,
London WC2B 5LH.

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday March 4 1987

European news in brief

Bic set to cede Dim unit stake

BIC, the king of the throwaway ballpoint, razor and cigarette lighter, is to cede a stake in its stockings subsidiary Dim to the US cake queen Sara Lee, formerly known as Consolidated Foods, *writes George Graham in Paris.*

Dim, the leading French tights producer and 97 per cent controlled by Bic, is to increase its capital by FFr 500m ($82m) to help its development into the women's lingerie markets and its expansion overseas.

The French tights producer will issue FFr 300m of new shares, reserved to Sara Lee. Dim will also issue a FFr 200m five-year convertible loan stock, also reserved to Sara Lee.

The initial share issue will give the US group a 23.9 per cent holding in Dim, which could rise to a 33.9 per cent blocking stake after conversion of the loanstock.

Snecma in MAN deal

SNECMA, the state-controlled French aircraft engines producer, plans to shed its gas turbine operations to the West German engineering group MAN Gutehoffnungshütte, *writes our Paris staff.*

MAN has signed an agreement in principle to take over in stages the gas turbine operations of Hispano-Suiza, Snecma's subsidiary.

Hispano-Suiza, which produces aircraft components, will take part in a joint venture with MAN to develop its existing industrial turbines, the THN 1203 and THM 1304, as well as to work on future generations of turbine.

WestLB plans payout

WESTDEUTSCHE LANDESBANK (WestLB), West Germanys third-largest bank, is planning to pay a dividend of 4 per cent on its 1986 results, its first payout since 1979, *writes Haig Simonian in Frankfurt.*

WestLB, which is owned by the state government of North Rhine Westphalia and by regional savings banks and communal associations, made operating profits last year of about DM 1.1bn ($611m)

However, much of the surplus is again being ploughed back into country risk provisions, leaving a gain for 1986 of DM 84m.

Operating profits for 1987–89 are likely to decline from the record levels of recent years.

Trelleborg surges

TRELLEBORG, the Swedish rubber products group showed a strong surge in profits and sales in 1986. According to the preliminary results, the group gained from its strategy of acquiring loss-making companies and putting them back on their feet, *writes Sara Webb in Stockholm.*

Trelleborg is increasing its dividend from SKr 2.5 to SKr 4.0 and plans a bonus share issue, moving SKr 311m ($48m) from reserves to double the share capital.

Profits before provisions and taxes rose 83 per cent to SKr 291m compared with SKr 163m in 1985.

Buehrmann at record

BUEHRMANN-Tetterode, the Dutch paper company, lifted its earnings by 63 per cent to a record Fl 93.2m ($45.2m) in 1986 from Fl 57.3m the year before on good results in the graphics and packaging divisions, *writes Laura Raun in Amsterdam.*

The buoyant performance led the company to raise its 1986 dividend by Fl 0.25 to Fl 1.55 a share from Fl 1.30 in 1985. Profits per share rose 19.5 per cent to Fl 3.92 from an adjusted Fl 3.28 in 1985 as a result of a share issue and share split.

Sales rose 4 per cent to Fl 3.4bn from Fl 3.25bn.

Royal Bank of Canada suffers profits setback

BY BERNARD SIMON IN TORONTO

A SHARP decline in international income and higher loan-loss provisions pushed the Royal Bank of Canada's net earnings down to C$114.1m (US$85.8m), or 88 cents a share, in the first quarter ended January 31 from C$140.4m, or C$1.22, a year earlier.

Assets rose C$2bn to C$98.7bn on January 31, but return on assets fell from 0.58 per cent to 0.45 per cent. Return on international assets slumped from 0.49 per cent to 0.14 per cent.

Mr Allan Taylor, chairman, ascribed the drop in international income from C$42m to C$11m to difficulties among resource-based borrowers and "unsatisfactory" results from the bank's global capital-market business. RBC also suffered a loss on the disposal of an affiliate in Trinidad and Tobago.

RBC is Canada's largest bank. Subsidiaries include the London merchant bank Orion Royal and stockbrokers Kitcat & Aitken. The bank said that securities commissions on international business had fallen in the wake of the Big Bang in London.

None the less, Mr Taylor forecast improved overall results in the period ahead, based largely on record fee-based income, a healthy growth in consumer credit, and profitable securities and foreign exchange trading.

Allan Taylor, chairman: sees improvement

Loan-loss provisions charged against income, based on a five-year moving average of actual losses, rose from C$187m to C$223m. The bank has raised its estimate of 1987 losses by C$25m to C$1bn to reflect the debt-servicing problems of North American energy producers and the uncertain price outlook.

RBC had an exposure of C$1.62bn, equal to 1.8 per cent of earning assets, to Brazil at the end of its 1986 fiscal year last October 31. Mr Taylor said it was premature to speculate on the impact that Brazil's suspension of debt-servicing payments would have on the bank.

Ford plans to spend $8bn in Europe

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN GENEVA

FORD, the world's second-largest automotive group is to invest $1.2bn in Europe in 1987 and more than $7bn in the next five years, Mr Kenneth Whipple, Ford of Europe chairman, said yesterday.

Most of the money will go towards bringing new products to market, but there will also be $1.5bn of capital investment at Ford's manufacturing plants not directly associated with new products.

Most spending will be in West Germany and the UK because the group does not intend to switch more of its production capacity to Spain, Mr Whipple added.

No new plants are included in the programme, but Ford will get incremental capacity as factories are modernised and from increased productivity.

Because the West European car market was not growing very fast at a maximum of 1.5 per cent a year, the Ford workforce would continue to shrink. Since 1979 the total employed by Ford in Europe has dropped by nearly a third from 147,000 to 101,000, and although the pace might slow slightly, the reduction will continue for some years.

Mr Whipple recalled that Ford's net earnings in Europe rose by 71 per cent from $326m in 1985 to $558m last year. Although the company sold a record 1.5m vehicles in Europe, its European car market share slipped from 11.9 per cent to 11.8 per cent.

"That encourages me to believe we have the balance between sales and profitability nearly right," Mr Whipple said during the preliminaries to the Geneva Motor Show.

The 1986 earnings were evenly spread across Europe now that Ford of Germany is back in the black, but at least one major sales company – which he would not identify – still suffered losses last year.

Mr Whipple predicted that conditions in the European car market in 1987 would be "buoyant but tough" and that demand would remain at about last year's record 11.6m vehicles. But Ford of Europe expected to make further gains in both profitability and sales.

● Chrysler, third-largest US automotive group, is having discussions with European vehicle manufacturers, including Fiat of Italy, which might eventually lead to some significant agreements, Mr Mike Hammes, Chrysler's vice president, international operations, said yesterday.

Labinal to take 45% stake in Turbomeca

BY OUR PARIS STAFF

TURBOMECA, the French aero-engine manufacturer, has found a solution to its problems through an exchange of shareholdings with another French turbine producer, Précision Mécanique Labinal.

The company, still headed by its elderly founder Mr Joseph Szydlowski, has suffered in recent years from the difficulties in its main market, the supply of motors for helicopters.

Labinal will take a 45 per cent stake in Turbomeca and is expected to increase its industrial collaboration with the company gradually.

The operation has three parts. First, Labinal will pay cash for shares in Turbomeca. Second, the Szydlowski family will exchange Turbomeca shares for a 10 per cent holding in Labinal. Third, a group of institutions led by the insurance group UAP will buy Turmomeca shares and then exchange them for Labinal shares.

Pharmacia advances as sales rise 7%

By Sara Webb, Stockholm Correspondent

PHARMACIA, the Swedish pharmaceuticals and biotechnology group, increased its profits after financial items by 11 per cent to SKr 821m ($127m) in 1986, compared with SKr 740m the previous year.

Group sales rose 7 per cent to SKr 3.65bn, against SKr 3.4bn in 1985.

The results include figures from Intermedics Intraocular (the lens manufacturer acquired last year) from November, but do not include figures from the drugs company Leo or instruments and chemicals company LKB, which will be included in 1987.

Pharmacia forecasts profits (after financial items) of SKr 1bn and sales of SKr 6bn in 1987. Calculated on the basis of prevailing exchange rates.

The group made a one-off write-off of SKr 520m in connection with its recent acquisitions.

Pharmacia says the increase in sales was due to an increase in volume of its existing products, and to the steady flow of new products.

Exchange rate movements reduced sales by 5 per cent.

The board proposes raising the dividend from SKr 1.25 to SKr 1.55.

● LKB, the Swedish chemicals and instruments manufacturer acquired by Pharmacia, showed a loss of SKr 162.9m before appropriations and tax in 1986, compared with a profit of SKr 97.3m the previous year.

Sales rose 2.4 per cent to SKr 1.82bn. LKB says that the falling dollar led to increased competition in all of its markets and sales did not pick up at the end of the year as originally expected.

Baer Holding ahead in its first report

By Our Geneva Correspondent

BAER HOLDING, the parent company of the Julius Baer banking group of Zurich, disclosing its earnings for the first time, reported a net profit of SFr 44.7m ($28.8m) for 1986 – a 42 per cent advance from the previous year.

An "appropriate" increase in dividends would be announced later, Bear Holding said, together with plans for another capital increase which would be "structured in an attractive way for shareholders."

Bank Julius Baer, the group's principal subsidiary, is paying the parent company a dividend of SFr 18.9m, up from SFr 15.3m, after announcing a 20 per cent rise in net profit in 1986 to SFr 34.6m. Cash flow climbed by 24 per cent to SFr 67m.

Baer Holding's balance sheet total grew by 28 per cent last year to SFr 3.8bn. Roughly 16 per cent of this increase derives from the Geneva-based Société Bancaire Julius Baer, formerly Barclays Bank (Suisse), in which Baer took a majority stake last year.

Consolidated net commission income was up 46 per cent to SFr 159m, and the group's capital and reserves climbed from SFr 277m to SFr 367m.

At Bank Julius Baer net commission income rose by 24 per cent to SFr 127m and accounted for 55 per cent of gross earnings. Its balance sheet grew by 11 per cent over the year to roughly SFr 3bn

More international company news on Pages 20, 21, 23 and 37

ITALIANS PAY PTA 58BN FOR SPANISH PHARMACEUTICALS GROUP

Montedison buys Antibioticos

BY ALAN FRIEDMAN IN MILAN

MONTEDISON, the Italian chemicals, health care and energy group, has agreed to pay Pta 58.2bn ($453m) to acquire 100 per cent of Antibioticos, a leading Spanish bulk pharmaceuticals concern.

The acquisition of Antibioticos – which the Madrid concern said yesterday represented the biggest foreign takeover of a Spanish company – is likely to catapult Montedison into first place as European market leader in the production of intermediates for the manufacture of antibiotic drugs.

It was meanwhile learnt that Mr Mario Conde, the Antibioticos chairman who has also been a key shareholder, was considering using some of his proceeds to buy an equity stake of between 3 and 5 per cent of Montedison.

Mr Conde is believed to have been offered a seat on Montedison's board and could end up managing the combined antibiotic interests of Montedison and Antibioticos.

The idea being discussed between the Italian and Spanish companies is eventually to group together Antibioticos and certain bulk pharmaceuticals divisions from Montedison's Farmitalia subsidiary.

The Italian group's Spanish takeover was personally supervised by Mario Schimberni, Montedison chairman, right. The acquisition is likely to be financed from a rights issue launched last year by Montedison when it still hoped to acquire Fermenta, the troubled Swedish biotechnology group. The move is expected to make it the European market leader in the production of intermediates for antibiotics.

The acquisition of antibiotics, which requires Spanish government approval, gives Montedison a company with 2,000 employees which had 1986 sales of about Pta 28bn ($219m), mostly from exports. The deal was announced yesterday by the company in Madrid. Montedison in Milan was still declining official comment last night.

According to Mr Alastair Kilgour, a partner at the London-based Ark Securities, the acquisition of the Spanish company would increase Montedison's share of the "free market" (involving the sale of antibiotic intermediates to third parties) in Europe from 11 per cent to 17 per cent. At present the market leader is Gist Brocades of the Netherlands, which has about a 15 per cent share, according to Mr Kilgour.

The Antibioticos deal comes more than four months after Montedison broke off its talks to acquire Fermenta, the troubled Swedish biotechnology and bulk chemicals company.

Mr Mario Schimberni, Montedison chairman, spent the past few days in Madrid personally supervising the takeover negotiations and meeting Mr Felipé Gonzales, the Spanish Prime Minister.

The $453m price of Antibioticos, which represents about 23 times net earnings, is likely to be financed from the $890m rights issue launched last year by Montedison when it still hoped to acquire Fermenta.

Pargesa plans dividend boost as earnings jump by 23.5%

BY WILLIAM DULLFORCE IN GENEVA

PARGESA, the Swiss holding company which forms one of the two pillars of the financial services and industrial group headed by Mr Albert Frère and Mr Gérard Eskenazi, increased its net consolidated earnings in 1986 by 23.5 per cent to SFr 146m ($94m).

The board proposes to pay shareholders a dividend of SFr 60 per ordinary share an increase of 15 per cent after adjusting for the increased capital.

The consolidated net profit for 1986 was SFr 150.5 a share compared with an adjusted SFr 121.9 the previous year.

Pargesa reported statutory net earnings for 1986 of SFr 92.6m, including extraordinary income of SFr 27.2m from the reorganisation of one of its holdings. The operating net profit of SFr 65.4m compares with the SFr 23.6m reported for the last six months of 1985.

Major developments for Pargesa last year took place in France where, together with Groupe Bruxelles Lambert (GBL), the other arm of the Frère/Eskenazi empire, it set up Parfinance, a holding company with a capital of FFr 2.5bn ($410m). Pargesa and GBL each hold 25 per cent.

Parfinance in turn has a 53 per cent stake in the newly formed Banque de Gestion Privée and 20 per cent in the Schneider group. It also holds 8 per cent of the Métropole TV company which has just won the franchise for the sixth French television chain. Compagnie Luxembourgeoise de Télédiffusion, a GBL subsidiary, owns 25 per cent of Métropole.

About 6 per cent of Pargesa's reported earnings last year came via Lambert Brussels Associates, again jointly owned with GBL, from Drexel Burnham Lambert, the New York investment bank

GTE Bermuda unit rises at year-end

By Roger Scotton in Bermuda

GTE RE-Insurance, the Bermuda-based subsidiary of US telecommunications group GTE, has announced 1986 operating profits of $10.7m – more than double the net earnings reported for 1985.

Managing director Mr Jens Juul said gross premiums advanced to $194.6m while net premiums written increased by $3m to reach $169.5m, the bulk of which came from property and casual risks. Consolidated claims and acquisition costs were $207.9m. However, Mr Juul said that GTE RE's underwriting loss for 1986 was more than offset by higher investment income

French insurer reports slower profits growth

BY DAVID HOUSEGO IN PARIS

ASSURANCES Générales de France (AGF), France's second-largest insurance group due for privatisation this year, yesterday reported slower growth in consolidated profits last year because of smaller realised capital gains.

Net consolidated profits on provisional figures rose about 15 per cent to FFr 1.5bn ($247m) following sharp increases in realised capital gains in recent years from a level of FFr 320m in 1983. Unrealised capital gains at the end of 1986 none the less remained near FFr 16bn.

Consolidated premiums from the group's life insurance activities and its fire and accident business rose 15 per cent to FFr 24.5bn. Growth was stronger in France, where turnover rose 17.3 per cent to FFr 21bn and where the group's life insurance activities for the first time overtook its risk and accident business. Life insurance premiums rose 28.2 per cent to FFr 10.9bn.

Unlike the other major French insurance groups, AGF also continued last year to gain market share in its car insurance business.

This followed a deliberate policy of not increasing motor premium rates. AGF's share of the French car insurance market increased over the period by 14 per cent.

AGF has a current market capitalisation of about FFr 18bn.

INTL. COMPANIES AND FINANCE

Telefonica lifts profits despite special charges

By David White in Madrid

COMPANIA Telefonica Nacional de Espana, Spain's semi-state telephone monopoly, increased its net profits last year by almost 16 per cent, despite a sharp increase in special provisions, according to provisional data sent to Spanish and foreign stock exchanges.

The company said it had planned to await the conclusion of negotiations with the Government on new telephone rates before making an announcement.

The provisional earnings figure of Pta 45.25bn ($351m) compares with Pta 39.15bn in 1985. Revenue from services rose by just over 13 per cent, to Pta 449.8bn

The figures show that the company managed to stabilise its financial costs during the year at Pta 77.8bn, an increase of less than 1 per cent over 1985.

Medium and long-term debt at the end of December was Pta 65.3bn lower than a year earlier at Pta 659.8bn while short-term debt was Pta 14.2bn higher at Pta 143.4bn.

SALES BOOST FOR PACKAGING GROUP

Triangle Industries advances by 54%

BY JAMES BUCHAN IN NEW YORK

TRIANGLE INDUSTRIES, the acquisitive and highly leveraged conglomerate which is the world's largest packaging company, reported a 54 per cent rise in net income from continuing operations to $47.6m for 1986. Sales revenues were up 62 per cent to $2.7bn.

Triangle, which in 1984 had just $290m in sales from copper wire, cable and jukeboxes, has been transformed by rapid-fire acquisitions of the glass and metal container manufacturer National Can in 1985 and the packaging arm of American Can late last year.

These acquisitions, planned by Mr Nelson Peltz and Mr Peter May who took control in 1983, were financed by the issue of expensive debt – known as junk bonds – by the aggressive Wall Street investment bank, Drexel Burnham Lambert.

In the figures for the year, Triangle took a special charge of $34m, or $1.39 a share, to account for premiums paid in the early redemption of the $502m in high-cost debt issued to acquire National Can.

This left net income for the year at only $13m against $36.8m. Earnings per share, on an operating basis, were almost unchanged at $2.05 on around double the shares outstanding.

Triangle's fourth-quarter operating net income was $2.8m against $2.4m in the last quarter of 1985. But a reversal of $3m in investment tax credits booked earlier in the year, and a further special charge for the early retirement of junk bonds resulted in a loss of $2.1m for the latest period.

Triangle's share price, which was the star performer on US exchanges in 1985, slipped back $1 to $34¾ on the results.

Goodrich to cut 790 jobs at Ohio plant

By Our Financial Staff

B.F. GOODRICH, the diversified US plastics and chemicals producer, is to phase out the production of aircraft tyres, missile and marine products and moulded rubber products in Akron, Ohio, by the end of 1987, with the loss of about 790 jobs.

The cuts will effect salaried, production, maintenance and support services employees. Goodrich said the job cuts would start within the next few weeks. It would continue to make chemicals and adhesives in Akron, employing about 358.

"Despite the efforts of management and labour, we have not been able to operate these business profitably enough in Akron to justify the large investment that we have here," Mr Leigh Carter, president and chief operating officer, said.

Goodrich said it would continue to make aircraft tyres at Norwood, North Carolina, and sonar domes at Jacksonville, Florida. Its moulded rubber products business would be relocated at a site not yet chosen, but it would stop making insulators for missiles.

GRANVILLE
SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E
161	118	Ass. Brit. Ind. Ordinary	160	—	7.3	4.6	9.8
163	121	Ass. Brit. Ind. CULS	163	—	10.0	6.1	—
40	28	Armitage and Rhodes	34	—	4.2	12.4	4.8
80	64	BBB Design Group (USM)	76	−1	1.4	1.8	18.1
219	166	Bardon Hill Group	219	—	4.6	2.1	24.9
102	55	Bray Technologies	100	—	4.3	4.3	11.9
138	75	CCL Group Ordinary	132	—	2.9	2.2	9.4
107	88	CCL Group 11pc Conv. Pf.	99	—	15.7	15.9	—
271	118	Carborundum Ordinary	267	—	9.1	3.4	12.9
93	90	Carborundum 7.5pc Pf.	93	—	10.7	11.5	—
125	75	George Blair	87	—	3.8	4.4	2.2
114	57	Ind. Precision Castings	114	—	6.7	5.9	10.2
176	122	Isis Group	122	—	18.3	—	—
124	101	Jackson Group	119	—	6.1	5.1	8.1
377	290	James Burrough	362	+1	17.0	4.7	10.2
100	87	James Burrough 9pcPf.	87xd	—	12.9	14.8	—
1035	342	Multihouse NV (AmstSE)	715	—	—	—	37.5
380	260	Record Ridgway Ordinary	363	+1	—	—	6.3
100	83	Record Ridgway 10pc Pf.	83	—	14.1	17.0	—
91	67	Robert Jenkins	90	—	—	—	4.0
60	30	Scruttons	60	+1	—	—	—
150	67	Torday and Carlisle	147	—	5.7	3.9	8.9
340	321	Travian Holdings	324	—	7.9	2.4	6.7
80	42	Unilock Holdings (SE)	80	+3	2.8	3.5	14.7
129	65	Walter Alexander	128	—	5.0	3.9	12.2
200	190	W. S. Yeates	193	—	17.4	9.0	19.3
98	67	West Yorks. Ind. Hosp. (USM)	98	—	5.6	5.7	14.0

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Indonesian state-owned groups in privatisation shake-out

By John Murray Brown in Jakarta

INDONESIA'S state-owned companies have been put through the hoops in the past weeks as the government has launched its privatisation plan. In a bout of corporate soul-searching, all 215 public enterprises have been ordered to present accounts for the last five years, an exercise quite new for such cosseted government concerns.

The plan, which aims to reduce budget outlays and rationalise the economy at a time of falling oil earnings, could mark a significant watershed for a country which, since independence from the Dutch, has relied on the state as the engine of economic growth.

It also promises to highlight the pecking order in a public sector whose interests range from public utilities to commercial trading houses, with total assets in excess of US$80bn, and annual turnover estimated at $20bn.

According to Mr Oscar Surjaatmadja of the Finance Ministry, loss-making concerns will be "liquidated, merged into other enterprises, or partly or entirely sold to the private sector." Foreign companies will be invited to buy stakes in public corporations.

Since President Suharto put the plan to the Cabinet in December, ministers have been falling over themselves in bids to stave off privatisation or worse the liquidation of companies under their wing.

Pertamina, the state-run oil company, published audited accounts last month for only the second time in its 29-year history, albeit for the year ended March 1985. Timah, the state tin company, then reported a dramatic profit turnround for 1986 which confounded observers given the current slump in world tin markets.

For loss-making concerns like Garuda, the debt-ridden state airline, their strategic role as the agent of development is the common plea. Mr Achmad Affandi, Agriculture Minister, claims the plantations sector supports a huge class of smallholders, and so should not be evaluated entirely on a commercial basis. Equally defensive, the Public Works Ministry has said that "State contractors are appointed by the government to build roads in remote areas which are not attractive to private concerns."

A two-man mission from the World Bank spent a week in Jakarta in February, the first stage in a study of the public sector which is expected to take nine months. One problem is the somnolent state of Jakarta's stock exchange, normally the vehicle for any sell-off of public assets, which trades just 24 stocks. The Government's financial caution currently requires any company seeking a listing to show a 10 per cent profit in the last year of trading.

The alternative — sale by public tender — may prove equally problematic, with leading Chinese business interests, already the most powerful group, likely to benefit. Last week the government announced that two loss-making state-run hotels have been offered for sale. However, a more thoroughgoing shake up may still be some way off. Apart from acting to absorb much excess labour, state companies have in the past provided useful sinecures for retired army officers loyal to the president.

Exchange loss provisions hit CRA

BY BRUCE JACQUES IN SYDNEY

CRA, Australia's largest mining group, improved its trading position in 1986 but a change in accounting treatment has sent the company in to a large attributable loss.

Improved trading results from the Comalco (aluminium) and Bougainville (copper and gold) subsidiaries allowed the company, a former subsidiary of the UK-based Rio Tinto-Zinc, to lift trading profit after tax from A$87.8m (US$59.8m) to A$138.2m, but write-offs of more than A$250m, against A$28m gain previously, sent the company A$112.1m into the red compared with a A$115.8m bottom line profit in 1985.

The bulk of the write-off reflected an A$172.9m provision for unrealised exchange losses on foreign currency borrowings, an accounting policy begun when the company reported for the first half.

The directors said the provision resulted from a belief that the Australian dollar was unlikely to rise significantly above the current level of around 68 US cents during the life of the loans. The company also wrote down assets by A$63.3m, reflecting its share of the costs of closure of Comalco's Goldendale - aluminium smelter in the US, and cuts in the book value of the Vickery coal deposit and the Woodlawn base metals mine, both in New South Wales.

Since the balance date, however, the company has reached agreement to sell the Goldendale smelter at an undisclosed price and this should result in a credit in next year's accounts. The final item in the write-offs was an A$14.1m tax change provision.

The company said, if the same accounting policy on unrealised exchange losses had been employed in the previous year, the write-off would have been A$140.8m.

The group is acting to protest its foreign exchange position and has forward contracts for the purchase of US$985m in place, hedging a large part of its exposure. This action cost the company A$47m in the year which lifted interest charges from A$308.7m to A$337.4m.

CRA's cash generation eased from A$1.02bn to A$950.6m in the year and capital expenditure was reduced from A$352m to A$329m. Coupled with the proceeds of a A$310m share issue during the year, this enabled the group to reduce its net debt by about A$500m.

The directors noted that 1986 was a poor year for the minerals industry with the notable exception of gold producers. "Prices for major metals expressed in real US dollar terms declined to levels which are the lowest seen in some 50 years," they said.

"The revaluation of the yen is leading to a substantial restructuring of Japanese industry. World demand for metals is growing very slowly but inventories have steadily declined with supply and demand being in better balance."

CRA also announced that the separately-listed Comalco returned to the black, against a previous A$69.1m net trading loss, it made A$57.1m profits. But similarly tough accounting treatment produces a A$83.4m attributable loss.

Sasol suffers first-half fall in sales and profits

BY JIM JONES IN JOHANNESBURG

LOWER rand-denominated crude oil prices led to drops in turnover and profits at Sasol, the South African oil-from-coal producer, in the half-year to December 27.

Selling prices are linked to world crude oil prices denominated in rands. Excluding excise duty, interim turnover dropped to R1.45bn ($696.5m) from R1.86bn and pre-tax profits were R532.7m against R639.9m.

The directors say that production at the Sasol 2 and Sasol 3 plants at Secunda continued to exceed design capacity, though the company does not disclose details of volume fuel production. Sasol 2, the directors say, is more diversified than Sasol 3 and was better able to absorb the half year's lower fuel prices. Sasol owns all of the Sasol 2 plant but has, so far, only taken transfer of half of the Sasol 3 plant from the state.

Net earnings slipped to 51.4 cents a share from 52.8 cents and the interim dividend has been lifted to 22.5 cents from 20 cents. Sasol was financed with state money and, though privatisation took place some years ago, the company is effectively controlled by the government through the state's residual 30 per cent equity stake.

Lower interest bill puts Kanhym back in black

BY OUR JOHANNESBURG CORRESPONDENT

A SUBSTANTIALLY lower interest bill enabled Kanhym, the South African feedlot operator and farming company, to return to pre-tax profits of R5.7m ($2.75m) last year, the first surplus since 1982. In 1985 Kanhym suffered a pre-tax loss of R22.1m.

Mr Donald Masson, the managing director, expressed disappointment that the operating profit before tax and finance charges slipped to R16.5m from R17.2m though the year's turnover rose to R513m from R462m.

He says that trading conditions remain difficult and that trading margins have been affected by price wars between retailers. Kanhym's 1987 trading plan is based on the assumption that sales and margins in the processed and fresh meat markets will remain under pressure.

Feedlot operations are expected to benefit from the breaking of the drought as farmers are rebuilding cattle herds and reductions in slaughtering rates have led to higher meat prices. On the other hand, recent extremely hot weather in the Transvaal has hurt Kanhym's farm crops.

Preference dividend payments have been resumed after being suspended since 1984. Ordinary shareholders suffered a deficit of 4.1 cents a share against a deficit of 125.3 cents in 1985. An ordinary dividend will only be paid when all arrears in preference dividends have been paid.

Disposals lift outcome for Simchowitz companies

BY OUR FINANCIAL AND JOHANNESBURG STAFF

IMPROVED results have been reported for companies controlled by Mr Manfred Simchowitz, the South African financier who is planning to increase his foreign-held interests.

W & A, the South African industrial and investment holding company which he heads, benefited from disposals and the rationalisation of loss-making subsidiaries in 1986. Turnover rose to R693m ($333.8m) from R611m, and lower interest rates contributed to a reduction in the interest bill which, in turn, assisted a pre-tax profit rise to R49.8m from R10.9m.

Extraordinary profits from the sale of assets helped lift the attributable outcome to R30.1m from R4.0m. During the year, W & A sold interests in computer services, medical insurance schemes, retailing and an ill-starred venture into American oil prospecting.

With the inclusion of the extraordinary profits, earnings rose to 606 cents a share from 82 cents and the dividend has been increased to 125 cents from 25 cents.

Mr Simchowitz expects higher earnings in 1987 for the group, which "will be looking for international expansion opportunities." W&A adds that these would probably be made through E. W. Tarry and Anglo-African Finance, two London-listed off-shoots.

Anglo-African yesterday reported pre-tax profits of £9.54m ($14.92m) for last year, compared with £1.84m. This was achieved on turnover of £185.37m against £112.82m.

Net earnings per share were given as 15.8p after losses of 1.1p for 1985, and the company has restored a dividend of 2.5p, its first in four years.

Anglo-African, which draws much of its earnings from South Africa, was aided by a recovery in the value of the rand. Mr Simchowitz added that the company intended to expand in Europe and the US, but gave no details.

Current interests are described as including tyres and rubber products, property, and automotive supplies.

Big Egyptian commercial banks show mixed results

BY TONY WALKER IN CAIRO

EGYPT'S big four public sector commercial banks returned mixed results for the year to June 1986, with the two largest institutions suffering a profit drop.

National Bank of Egypt's profit was down 28.2 per cent to E£37.1m (US$27m) from E£51.7m the year before.

At Banque Misr, earnings were down 12.1 per cent to E£35.6m. Mr Mohammed Hafez, general manager, said the dip in profitability was due to an additional tax burden and an increase in provisions.

But he pointed out that there had been strong growth in deposits during the year and that business activity was relatively buoyant in a difficult environment.

Banque du Caire's net profit increased by 6 per cent to E£43.9m. Bank of Alexandria's earnings remained steady at E£11.4m.

Egypt's commercial banks have all faced difficulties in securing adequate supplies of foreign exchange through the year. This has caused delays in some cases in banks meeting their foreign exchange commitments.

هكذا من الأصل

INTERNATIONAL CAPITAL MARKETS and COMPANIES

$150m Saab-Scania deal finds a warm welcome

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

THREE NEW fixed rate issues totalling $375m were launched yesterday in the Eurodollar bond market, even though there was little encouragement for the sector from New York and the market remains nervous about the dollar's performance on the currency markets.

Largest and most successful was a $150m issue for Saab-Scania, the Swedish vehicle manufacturer, led by Morgan Guaranty. The market liked the name of a borrower which has tapped the sector only once before.

The five-year issue was assigned a 7¾ per cent coupon and 101¼ pricing to give a yield margin over US Treasuries of 93 basis points at launch, net of fees. The bonds were quoted within their fees with a bid of 1.60 points below issue price.

Citicorp Investment Bank led the remaining two deals. First was a $100m five-year issue for Nederlandse Gasunie, the Dutch state-owned gas utility. The issue carries a 7½ per cent coupon and price of 101¼ to give a spread over Treasuries of 61 basis points at launch.

Although the market felt that the spread was fair for this triple-A rated borrower, some dealers were uncertain of the market's willingness to take paper at this yield margin. Although the issue saw some demand, it was bid slightly outside its fees.

Launched later was a deal for Mony Funding, with the guarantee of its parent Mutual Life Insurance. The $125m issue of 10-year bonds carries an 8¼ per cent coupon and 101½ pricing. The terms have a 86 basis point spread over Treasuries at launch, and dealers' reservations centred on investors' readiness for 10-year paper given the uncertain climate of the dollar market.

Pricing was acknowledged to be aggressive, though in line with outstanding Mony paper which is rated triple-A by Standard & Poor's and AA-2 by Moody's. The deal was moving slowly and was bid slightly outside its 2 per cent fees.

The dollar sector also saw a $50m private placement for the International Finance Corporation, the World Bank affiliate. The issue, which will have a listing, is for 10 years with a 7¾ per cent coupon and price of 99¼. The lead manager is Bank of Tokyo International.

The 300m bond with equity warrants for Mitsubishi Real Estate had its coupon cut from 3¼ to 3 per cent and was assigned a conversion premium of 2.53 per cent. It was trading at 107.

The Canadian dollar sector saw a sudden burst of afternoon activity with the launch of two deals of C$100m each by Good Gundy. The timing was coincidental, and was not evidence that a window had suddenly opened in the sector.

Victoria became the first Australian state to tap the sector. Only two other Australian borrowers have done so and both

INTERNATIONAL BONDS

met mixed receptions. Victoria's five-year issue was priced at 100¾ with a 8¾ per cent coupon to give a 64 basis point spread over Canadian Treasuries, which some in the market felt a shade aggressive.

An issue for Scotia Mortgage was also for five years, with an 8¾ per cent coupon and 100¾ pricing, to give an 81 basis point spread to Treasuries. The issue is guaranteed by Bank of Nova Scotia.

Sterling bonds continued to meet strong demand, with the gilt-edged market recording further gains in the morning, though enthusiasm was dampened later in the day by talk of a cut in UK banks' base rates.

Deutsche Bank, following Commerzbank's issue the previous day, took advantage of the sector's buoyancy with a £75m issue handled by Kleinwort Benson. The 10-year bonds were priced at 101¾ with a 9¼ per cent coupon, giving a yield six basis points below gilts at launch, net of fees.

The issue was designed to capitalise on German interest in the sector and was bid at a discount equal to its fees.

The convertible for Tesco, the UK retailer, was increased from £100m to £115m, and assigned a 4 per cent coupon, the lowest ever on a Eurosterling issue. At the conversion premium of 9.85 per cent over the 477p closing midpoint yesterday, the conversion price is 524p. The yield which would be obtained by investors exercising their put options was fixed by Credit Suisse First Boston 8¾ per cent. The issue was bid at 104.

The Australian dollar sector, bogged down by supply, saw a high coupon issue from an overseas financing subsidiary of Montedison. The A$50m three-year issue was priced at 101¾ with a 15¼ per cent coupon by Orion Royal Bank.

In the French franc Eurobond sector, which is expecting four issues this month, the first was launched for the European Economy Community—the first straight issue since mid-November. The FFr 600m ten-year issue carries a 8¾ per cent coupon and a pr'e of 99½, and was led by Banque Nationale de Paris. It traded at discounts close to its fees at the end of the day, though earlier prices were higher.

French franc bonds have shown price gains over the past few days, aided by the greater stability of the dollar against the D-Mark, which in turn helps confidence in the French market.

The World Bank made a rare issue in Finnish markka, targeted at foreign investors. The FM 300m seven-year issue has a 10 per cent coupon and 101¼ price, and is led by Postipankki. It traded at its fees.

In Switzerland, Sapporo Breweries made a SFr 100m private placement led by Swiss Bank Corporation. Guaranteed by Fuji Bank, the issue is for five years with a 4¾ per cent coupon and 100¼ pricing.

Swiss bonds showed small price gains in quite active trading. Swiss banks raised customer time deposit rates for three to eight months from 3 per cent to 3¼ per cent.

In D-Marks, bond prices were quiet and little changed amid the continuing Carnival holidays.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on March 3

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Sterling paper regains momentum

By Our Euromarkets Editor

THE MARKET in sterling-denominated commercial paper, short-term unsecured debt issued by companies, expanded in January after a pre-Christmas lull, according to Bank of England figures.

The Bank's monthly data are closely watched by the market, which is still trying to build up momentum after being allowed to open by the UK authorities last May and is far smaller than its counterparts in the US and the Euromarkets.

They showed that outstandings—new and existing issues, minus paper which matured during the month—rose from £527m at the end of December to £662m by the end of January. In November, they had reached a record £700m. January new issues totalled £589m and maturities £454m. Paper for 26 issuers was outstanding at the end of January.

Less encouraging for the market, however, was the Bank's calculation that the monetary sector held £192m of outstanding paper, £71m up on December. Banks which are active as dealers in the market are strenuously attempting to build up an investor base outside the banking sector.

Five new companies notified the Bank of their intention to issue commercial paper, keeping up the pace of previous months.

Gadd buys 75% of investment banking house

By David Lascelles

SG INVESTMENTS, the Luxembourg-quoted company recently formed by Mr Staffan Gadd, has bought a 75 per cent stake in Chartfield Holdings, the London-based investment banking and venture capital house.

The remaining 25 per cent of Chartfield, which is to be renamed J. S. Gadd and Co Ltd, is to be held by The Industrial Investment Company of Kuwait, Helix Investments, the Canadian venture capital fund, and staff of Chartfield.

Mr Gadd, formerly chief executive of Samuel Montagu, said the Chartfield team "share our ideas about creating an international financial boutique."

Mr Nicky Branch, one of Chartfield's founders, said the investment from SGI would give it "the financial muscle to expand." The intention is to float Chartfield around 1990.

BNP lifts net profits by 50%

By George Graham in Paris

BANQUE NATIONALE de Paris, the largest French bank, raised net profits last year by 50 per cent to more than FFr 3bn ($490m), or FFr 56 a share.

Mr Rene Thomas, BNP president, said yesterday that operating profits rose by 14.4 per cent to FFr 10.04bn. Speaking in Switzerland on the occasion of the stock exchange introduction of BNP's Swiss subsidiary, he said operating profits in France rose 18 per cent to FFr 8.32bn while outside France results stayed at FFr 1.72bn.

Overseas earnings rose by 9 per cent in local currency terms, though the decline of the dollar kept them stagnant in French francs.

BNP's commission earnings rose by 23 per cent in 1986, with commission on securities transactions recording a 50 per cent increase. Commissions climbed to 20 per cent of BNP's total banking income.

Bahrain bank shows growth

GULF INTERNATIONAL Bank (GIB), the Bahrain-based international bank, has reported net profits of $70m for 1986, up 4.4 per cent, AP-DJ reports from Bahrain.

It showed a 7 per cent increase in net operating income to $119.2m and, although GIB does not specify loan provisions, it indicated that these had increased.

Total assets rose by 3.8 per cent to $8.1bn while loans, net of provisions, rose to $4.5bn from $4.2bn. Shareholders' funds were $747.8m against $715m.

The bank plans to open a representative office in Frankfurt this year, as well as strengthen the activities of its New York and London branches, expanding investment banking and Treasury services.

Adrian Dicks on Anglo-US efforts to 'level out a bumpy playing field'

Capital question for Japan's banks

AFTER THE US and Britain, will Japan be the next large economic power to fall into line with international efforts to harmonise the capital requirements of banks?

At first sight, the idea seems implausible. Yet Japanese bankers are certain that they will come under growing—and increasingly public—pressure to move towards harmonisation of capital requirements with the US and the UK, despite radical differences in the capital structures and regulatory environments of banks in the three countries.

The Japanese authorities, for their part, are anxious to convey the message that despite the technical difficulties involved, the issue can be settled without the risk of flaring up into yet another international confrontation over the scope and pace of the country's financial liberalisation.

Mr Kosuke Nakahira, director of the commercial banks division in the banking bureau of the Ministry of Finance, acknowledges that the rapid growth of international transactions and of internationally active institutions is forcing banking supervisors to attempt to achieve a convergence of their regulations.

"Our final purpose is the same, to maintain confidence and to strengthen the protection of markets, depositors and investors."

Officials and Western diplomats in Tokyo are at pains to make clear that the issue is still being dealt with by central banks, rather than governments, through the informal — and, above all, discreet—mechanism of the Bank for International Settlements in Basle, the "central bankers' central bank." There are no formal negotiations between governments in sight, and everyone concerned hopes to keep it that way.

Japanese bankers, both in Tokyo and London, are unimpressed by the soothing noises coming from official quarters.

They point, instead, to the strong emphasis placed on international capital adequacy standards by the architects of the UK-US agreement, Mr Robin Leigh-Pemberton, Governor of the Bank of England, and Mr Gerald Corrigan, president of the New York Federal Reserve Bank, when they addressed the Overseas Bankers' Club in London last month.

Mr Leigh-Pemberton said that the objective of the recent US-UK agreement was twofold: To "level out some of the bumpy playing fields that now prevail in many of our international banking and capital markets," and to make supervision more effective by reducing the present divergences between national regulators.

Mr Corrigan said on the same occasion that he hoped other countries would "move quickly to bring capital adequacy standards into alignment with emerging international norms." Although neither Mr Leigh-Pemberton nor Mr Corrigan mentioned Japan by name, Japanese bankers present did not fail to get the message.

For all their enormous size and growing relative weight on the world banking scene, the big Japanese institutions' home market remains protected in several crucial respects.

Thanks to interest rate controls on all but the largest deposits, they still enjoy access to cheap funds on a scale that foreign banks in Japan, despite the progressive removal of most restrictions on their activities in recent years, cannot hope to match.

Formal capital ratios remain low, yet the authorities have always accepted the banks' argument that their huge, undisclosed holdings of marketable securities ought to be counted in the measurement of their true financial strength.

Last May, the MoF published revised guidelines on capital ratios for banks in response to long-standing complaints from other countries. For banks with overseas branches, a target ratio of 6 per cent to average outstanding assets was set, to be put into effect from April.

If this seems high, the reason is that banks may achieve the 6 per cent level by adding to their published capital and reserves up to 70 per cent of the difference between the book value and the current market price of their hidden securities holdings.

In a second stage, all banks will by April 1990 have to achieve a ratio of 4 per cent of capital to total assets. (In both stages, capital is defined as including tax adjustments but excluding existing special reserves against bad loans.)

It is not yet entirely clear whether a portion of banks' undisclosed securities gains will also apply in the second stage which, of course, will bring into the net the large number of regional, co-operative and other Japanese banks prohibited at present from doing any international business

How quickly these changes will meet the demands of Westerners depends on whether you are looking at the first or the second of Mr Leigh-Pemberton's objectives.

Many Tokyo bankers (though not yet the smaller and regionally-based institutions) say that the progressive freeing of all bank deposits from interest rate controls is now mainly a matter of time.

Equally, a consensus appears to be building among the big banks that Article 65 of the Securities and Exchange Law, Japan's counterpart to the US Glass-Steagall Act, is stopping them from competing against the increasingly powerful and highly profitable securities industry in such areas as bond underwriting and dealing.

So far as the harmonisation of prudential supervision goes, the new rules may change things less for internationally active Japanese banks than they appear to. Although the big Japanese lenders may not make published provisions as US or British banks do (and will therefore suffer less public embarrassment at their exposure to Brazil, for example), few doubt that their financial underpinnings are massive.

Part of the big banks' holdings of securities will have to be disgorged in compliance with new legislation limiting their holdings in any one non-banking company to 5 per cent. There is keen interest in Tokyo at the prices at which such disposals will be made

Some banks are expected to apply the proceeds towards their new capital ratios, while others have always begun a sheries of rights issues of equity and convertible bond issues, taking advantage of the buoyancy of the Tokyo Stock Exchange, where some bank shares have been trading at 150 times earnings or higher in recent months.

JAPANESE CITY BANKS' ASSETS AND RESERVES (YBN)

	Assets	Assets plus 70% of hidden reserves	Equity	Hidden securities reserves	Equity to assets ratio	Ratio of equity plus 70% of hidden reserves to assets
Dai-ichi Kangyo Bank	34,120	35,243	697	1,604	2.04	5.2
Fuji Bank	29,195	30,147	749	1,360	2.56	5.6
Sumitomo Bank	28,649	29,588	751	1,341	2.62	5.7
Mitsubishi Bank	27,869	28,962	678	1,562	2.43	6.1
Sanwa Bank	26,864	27,723	606	1,227	2.26	5.3
Tokai Bank	19,521	20,190	408	956	2.09	5.3
Mitsui Bank	19,144	19,858	396	1,020	2.07	5.6
Taiyo Kobe Bank	17,181	17,700	347	742	2.02	4.9
Bank of Tokyo	14,877	15,266	383	556	2.57	5.1
Daiwa Bank	14,770	15,090	223	457	1.51	3.6
Kyowa Bank	10,616	11,021	215	578	2.02	5.6
Saitama Bank	9,295	9,557	215	374	2.31	5.0
Hokkaido Takushoku Bank	7,771	7,974	154	290	1.98	4.5

Hidden reserves figures at September 30, 1985; Other figures at March 31, 1986

Source: IBCA Banking Analysis

Unilever advances to record £1.1bn

BY CLAY HARRIS

Unilever the Anglo-Dutch food and consumer products group, increased pre-tax profits to a record £1.14bn on turnover of £17.14bn last year.

Although pre-tax profits were 20 per cent higher in sterling terms, based on closing rates for 1985 and 1986, they fell by 3 per cent to Fl 3.94bn when expressed in the strong guilder. At constant rates, profits rose by 14 per cent.

For the fourth quarter, the company reported unchanged pre-tax profits of £276m on turnover 2 per cent higher at £4.2bn.

Mr Michael Angus, chairman, said that restructuring had resulted in exceptional costs of £68m (£36m) but created a more secure base for the company's profitability. Much of the advance in profits reflected an improvement in margins.

The year's acquisitions and disposals reduced turnover by a net 5 per cent, but volume in core operations increased by a similar figure. Volume improvements were especially marked in European consumer products and in North America.

But US results were mixed. Lever Brothers vaulted to market leadership in margarine and "made good money," Mr Angus said. In detergents, however, the company continued to "invest for growth" as the heavy promotion costs of Surf and Surf Liquid took their toll.

The company also suffered by being late to take advantage of US consumers' growing preference for toothpaste in pump dispensers.

DIVISIONAL BREAKDOWN	Turnover (£bn) 1986	Turnover (£bn) 1985	Operating profit (£m) 1986	Operating profit (£m) 1985
Food products	8.52	8.48	604	490
Detergents and personal products	4.83	4.06	253	175
Speciality chemicals	1.31	1.20	135	127
Other operations	2.48	2.95	132	157
Total	17.14	16.69	1,124	949

Unilever expects the $3.1bn acquisition of Chesebrough-Pond's, the US consumer products group, to have a neutral effect on earnings per share in its first year. "For 1987, our assumption is zero dilution but it won't bring in much additional profit after interest," Mr Angus said.

Firm bids will be sought by early next month for the three Chesebrough operations Unilever plans to sell: Stauffer chemicals, Prince sporting goods and Bass shoes. Mr Niall FitzGerald, finance director, agreed that half the acquisition price, suggested as Unilever's aim for the total proceeds of the disposals, made a "round target."

The sterling-guilder divergence was also reflected in earnings per share, up by 29 per cent to 177.55p (137.96p) but only 4 per cent to Fl 38.22 (Fl 36.79).

Unilever plans a final dividend of 35.18p (27.05p) to make a total of 50.17p (38.62p), a 30 per cent increase. After a final of Fl 10.67 (Fl 10.16), Unilever NV shareholders' total dividend of Fl 15.33 will be less than 3.5 per cent higher than last year's Fl 14.82.

Unilever announced two changes in depreciation accounting which it expects to increase operating profits by a total of £45m this year.

A five-for-one share subdivision is also proposed. Unilever shares added £1¼ to £26¾.

See Lex

Mitchell Somers in agreed three-way merger

By Nikki Tait

Mitchell Somers, West Midlands-based engineering group which announced that it was in bid talks two months ago, is to merge with Eagle Trust, the former loss-making Audiotronic Holdings where company doctor Mr "Sandy" Saunders stepped in as chairman eighteen months ago, and with an unquoted company Midland City Partnership. MCP is also Midlands-based with interests in hydroponics—the production of animal feed in nutrient solution rther than soil—builders merchanting, property and electrical goods distribution.

The merger will be effected by Eagle Trust which will make bids for the two companies totalling around £66m; the result of the three-way deal will be to create a group with net assets of over £20m and sales of around £60m.

Eagle Trust and MCP first came together about a year ago. Two directors from MCP joined the board of Audiotronic and acquired personal stakes in the business of around 7 per cent each; Audiotronic itself purchased a 20 per cent holding in MCP. However, MCP directors said yesterday that informal discussions indicated that a reverse takeover by Audiotronic of MCP would not meet with Stock Exchange approval.

Under the three-way deal, however, full acceptance of the Mitchell Somers offer will result in the issue of share representing only 43 per cent Eagle's enlarged capital and on the MCP side, the issue of shares representing another 41.7 per cent.

The terms of the Mitchell Somers offer are 11 shares in Eagle for every one Mitchell Somers held. There is a cash alternative of 165p, which has been underwritten by merchant bankers, Henry Ansbacher, and a 2.1p per share special dividend if the deal goes through. With Eagle shares down 4p to 18½p yesterday the offer values Mitchell Somers at £32.7m.

The bid, which is recommended, starts with irrevocable acceptances from holders of 34.2 per cent of MS's shares — 7.6 per cent coming from directors and 23.2 per cent from Friends Provident. Mitchell Somers, which has been trying to switch away from its previous dependance on heavy engineering and increasing its distribution and waste disposal interests, reported a 3 per cent rise in interim profits to end-September at £927,000.

On the MCP side, Eagle is offering 40 of its own shares for one MCP, valuing the group at just over £33m. Again there are irrevocable acceptances from holders of 44.8 per cent of the shares.

MCP is a Telford-based company, and was set up by two entrepreneurs; Mr John Ferriday and Mr Richard Smith. In 1985, shares in MCP were issued to a number of institutional investors, including Coast Investments which represents Kuwaiti interests. They currently trade under Rule 535.2, and last changed hands at 600p, compared with the bid value of 740p. Mr Ferriday will become chief executive of the new group and Mr Smith will also join the board. Mr Saunders, will relinquish any executive role but remains a non-executive on the Eagle board.

In 1986, MCP made pre-tax profits of £1.5m on sales of £24.7m. The company has been growing rapidly—profits were £870,000 in 1985—and has made four major acquisitions for around £9m during the past two years.

Eagle itself produced a £676,000 loss before tax in the 15 months to end-June, but disposals have weeded out the loss-making interests and the on-going electrical distribution business is now trading profitably.

STC beats City forecasts with profit of £134m

BY DAVID THOMAS

STC returned to profits for 1986 with a pre-tax figure of £134.2m, against a loss of £11.4m in 1985.

Sales fell by 3.2 per cent to £1.93bn, but turnover in the continuing businesses rose by 2.8 per cent. Earnings per share were 15.9p, compared with a loss of 2.25p in 1985 and the board is proposing a final dividend of 3p, making 4.5p for the year. No dividend was paid in 1985.

Positive cash flow of £248m created a net surplus of £37m at the end of 1986, against net borrowings of £211m at the end of 1985. The results were above City expectations and the shares closed up 35p at 277p.

Mr Arthur Walsh, chief executive, said: "Our first steps were to reduce overheads and eliminate loss making companies. We have also strengthened the balance sheet. As a result we are now able to concentrate with confidence on winning business in key areas."

ICL, the computer subsidiary, boosted operating profits by 46.2 per cent to £90.2m (£61.7m), on sales of £1.19bn (£1.07bn).

The company said that ICL's strategy of concentrating on selected markets was working and ICL would now be putting more resources into selling more overseas.

Profits in communications systems were up 7.4 per cent at £56.1m (£48.7m) on a reduced turnover of £347.9m (£394m), which reflected the company's reduced emphasis on switching.

STC is looking for alliances with foreign companies in research and marketing in telecommunications, particularly in transmission and network systems. It recently ended its agreement on research and development with ITT.

Mr Walsh said the company had doubled its submarine fibre optic cable making capacity in 1986, because it was confident it would continue to win a major share of world business in this area.

Profits in components and distribution jumped to £20m (£1.5m) on turnover little changed at £287.2m (£281.3m). Previous heavy losses in components manufacturing were reversed.

The defence division suffered a decline. Profits were £9.4m (£13.1m) on sales of £81.1m (£91.4m), partly because of the rundown of Ptarmigan orders. The company said it was bidding for several large orders due for decision soon.

Overall operating profit, after allowing for a cut of £16m in corporate costs to £13m, was £163m (£92.7m). Financial charges were cut to £13.8m (£37.2m).

After allowing for exceptional items of £15m (£68.9m), mainly relating to rationalisation, tax of £47.2m (nil), an extraordinary net gain of £16.4m (loss of £42m) arising from the disposals, the profit was £103.1m, against a loss of £53.8m in 1985.

See Lex

Templeton Galbraith at £28m

Templeton, Galbraith & Hansberger, which obtained a London listing in February last year, yesterday announced pretax profits of $44m (£28m) for 1986. Its 1985 figures on its prospectus basis were $30m, and pro forma, $36.4m.

The directors of this Bahamas-based company, which provides investment management and related administrative services to mutual funds incorporated in the US and Canada, are recommending a final dividend of 6 cents, making 9 cents for the year. They said that all future dividend payments to holders with registered UK addresses would be made in sterling.

Turnover for the year moved ahead from $81m to $123m.

After tax of $9.76m ($6.09m prospectus basis and $6.6m pro forma), and minorities last time of $46,000, earnings worked through at 21.4 cents per share. (15.1 and 18.6 cents).

Directors said that shareholders' funds had increased fivefold to $24.9m, and they intended using them to expand the investment management business worldwide.

See Lex

Property trading profits boost Frogmore midway

FROGMORE ESTATES reported interim pre-tax profits up by almost 60 per cent. Directors said that the result began to reflect the change in emphasis towards a more-actively managed property investment and trading company.

They added that the completion of the development of the housing landbank coincided with the arrival of profits from property trading. However they warned that trading earnings would continue at irregular intervals.

Pre-tax profits in the six months to end-December 1986 came out at £8.2m (£5.12m) on turnover of £34.49m (£15.42m). Earnings per 50p share were 16.2p (9.5p) and the interim dividend has been raised from 1.945p to 2.14p.

In the period acquisitions totalled £30m of which £18m were for investment where surpluses were expected. There were disposals worth £13.5m. Trading stock held at the end of the six months had doubled in value to more than £16m and good profits were expected from future disposals.

The tax charge was £2.56m (£1.84m) and there was a surplus on disposal of investment property, after tax, of £172,000 (nil). Net asset value at December 31 was 269p, compared with 235p a year earlier.

● comment

By June all Frogmore's remaining houses will be completed and sold off and the company will become a pure property investment business. Property companies which turn their backs on housebuilding in favour of trading and investments have to make sure that they collect enough rents to cover their overheads plus dividend payout in order to maintain yield security in the eyes of investors. This Frogmore has clearly been able to do and the contracted rent roll of £10m augurs well for the future on this point. The investment portfolio now contains some £15m worth of property while the trading bank holds about £10m. The estimated net asset value probably understates by 5 per cent, suggesting a figure in the region of 280p per share. Hence at 240p the company's shares are trading on a 14 per cent discount, which seems about right. Pre-tax forecasts for the year have been upped by £1m to £13½m.

Profits up and Dares sees growth

By Ralph Atkins

Dares Estates, the London based property company, made a pre-tax profit of £747,000 in 1986 compared with £12,000 in 1985.

The upturn follows the appointment two years ago of three new directors. In 1984 the company reported a loss of £1.82m.

The profits recovery was helped by a fall in interest payable and similar charges from £1.2m to £871,000, reflecting an improved debt position.

Net assets in the company rose from £4m to £12.4m. The company said yesterday that it will shortly announce further acquisitions which were expected to double the size of the company's investment portfolio.

Once again, no dividend is being paid because Dares has no legally distributable reserves. Instead the company plans to obtain court and shareholders approval to write previous years losses off against its share premium account. If this approval is given the board intends to pay a nominal dividend of 0.1p per share.

Dares has been buying property heavily in the past year.

Sinclair reaps benefits of restructuring

William Sinclair Holdings, USM-quoted agricultural and horticultural plant breeder and seed specialist, continued to reap the benefits of the restructuring which followed the sale of its Sinclair McGill agricultural seeds division to ICI for £5.1m cash last June.

While turnover in the six months to end-December 1986 for the continuing businesses totalled £5.59m compared with £10.31m prior to the disposal, Sinclair achieved pre-tax profits of £552,000 against a loss of £129,000—an improvement in excess of the directors' original expectations.

Tax took £160,000 this time and there was also an extraordinary charge of £77,000 (credit £20,000). Earnings per share were 6.29p against an adjusted loss of 1.95p.

The interim dividend is increased to 1.8p, against an adjusted 1.375p.

Mr Tom Sinclair, chairman, stated that substantial progress had been made in the expanding UK market with the J. Arthur Bower's products. Export sales had increased and Sinclair was now represented in 25 countries. New compost products had been received by all sectors of the trade with particular enthusiasm, while in the commercial market the SHL range continued to increase sales.

Recent acquisitions, Caledonian Peat Products, Fyba Pot and Inside/Outside had or were expected to contribute to group profits, he added.

Mount Charlotte profits climb 16% to £18.6m

A £2.6m advance in pre-tax profits is reported by Mount Charlotte Investments, the hotel chain which now operates 6,650 rooms.

For the year ended December 28 1986 the profit came to £18.64m, against £16.06m. That was a percentage rise of 16, and just beat the growth rate shown midway.

During the year 10 additional hotels were acquired for an aggregate consideration of some £22m, paid mainly in cash.

The directors said they expected further significant progress in 1987.

In 1986 turnover rose by nearly 8 per cent to £64.9m (£60.8m) while the trading profit spurted 17 per cent to £21.69m (£18.56m). Interest charges, however, were up £550,000 to £3.05m.

After tax £3.77m (£2.99m) earnings for the year were 6.9p (6.3p), and the final dividend is 1.02p for a net total of 1.63p (1.4p). On a fully taxed basis earnings came to 5.5p (4.6p).

● comment

In a year of scares about terrorism and Chernobyl, Mount Charlotte must be very relieved to be able to report increased profits. The group's countrywide spread gave it some protection—a marketing push into Europe proved further help. The country's biggest black spot was in one-time boom town Aberdeen which knocked £800,000 off profits, although an improvement in Irvine and Glasgow meant that Scotland as a whole was up. This year, the Americans are starting to return but hoteliers will be crossing their fingers for a terrorist-free run. If all goes well, Mount Charlotte should make £22.5m pre-tax. But a share price at 116½p owes more to the long-overdue (eight years) revaluation of the properties than to the earnings potential. Pleasurama made an approach last year; unless Mount Charlotte's assets are revalued soon, other potential predators are likely to follow.

FLEMING MERCANTILE Investment Trust: Net asset value at January 31, 1987 was 218.2p (168p). Final dividend 2.25p (2.35p) making 3.75p (3.6p) for the year. Earnings fell to 3.76p (3.87p) per share.

Merchants' Warehousing

Increased pre-tax profits of I£249,338 (I£232,000) were achieved by Merchants' Warehousing, in the 24 weeks to December 12 1986, an 82 per cent rise on the previous I£137,013.

Turnover for this Dublin-based company improved from £1.68m to £1.82m, and trading profits, after all expenses, came through at £129,042 (£108,457).

The interim dividend is maintained at 0.9p, to be paid from increased earnings of 2.99p (2.07p) per share.

The directors said it was difficult to form a view on profits for the full year, but were satisfied they would be higher than last year. They were continuing to find ways to develop the group.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Allied Plant	1	—	nil	—	nil
AMS Industries	1	Apr 7	0.83	1.5	0.83
Blagden Inds	3.7	Apr 3	3.7	7.2	7.2
Britannia Security int	†0.72	—	0.6	—	1.5
S. Casket ...int	†1	May 22	0.8	—	2.2
Comm Bank Near East	30	—	30	30	30
John Crowther	†2.5	July 15	0.5	3.5	2
Dean & Bowes	‡2	Apr 23	—	3	—
Fisons	†3.95	—	3.34	6.5	5.5
Fleming Mercantile	2.25	May 6	2.35	3.75	3.6
Frogmore Ests ...int	2.14	—	1.95	—	7.61
Johnstone's Paints	‡3	Apr 23	2.5	4.77	4.27
Merchants W'hsing int	**0.9	Apr 3	0.9	—	1.8
Kerry A	‡0.38	—	—	0.38	—
Kerry B	0.83	—	—	0.83	—
Microvitec	‡0.74	Apr 24	0.75	1.25	1.25
Mount Charlotte	†1.02	July 2	0.87	1.63	1.4
Newage Trans	‡1	May 6	—	1	—
Provident Financial	9	—	*7.5	13	*10.83
Rights & Issues	3.15	—	3	4.25	4
William Sinclair ...int	‡1.8	Apr 3	1.38*	—	5.13*
STC	3	May 1	nil	4.5	nil
Templeton Galbraith	‖6	May 1	—	9	—
Trade Promotion ...int	‡1.3	Apr 2	1.15	—	4.35
Unilever	35.18	June 3	27.05	50.17	38.62
Unilever NV	¶10.67	June 3	10.16	15.33	14.82

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Dutch Florins. ‖ US cents. ** Irish pence.

Yearlings unchanged

Th interest rate for this week's issue of local authority bonds is 10¼ per cent, the same as last week, and compares with 11¾ per cent a year ago. The bonds are issued at par and are redeemable on March 9 1988.

A full list of issues will be published in tomorrow's edition.

UK COMPANY NEWS

Ultramar deal doubles Kuwaiti's petrol share

BY LUCY KELLAWAY

Ultramar, the UK oil independent, yesterday announced plans to sell for £50m its UK oil marketing arm to Kuwait Petroleum International, in a move that will double the Kuwaiti's share of the UK petrol market.

Ultramar Golden Eagle is a wholesaler of oil products and sells petrol through 500 stations in the UK. The acquisition will give KPI 2 per cent of the UK market, and put it on the way to meeting its target of obtaining a share of between 5 and 7 per cent.

The company said yesterday that the deal provided it "with a sound base from which to develop a presence in the UK." It said it was looking actively for other acquisitions, and hoped that its goal could be reached within the next five years.

For Ultramar, the sale forms a part of a general process of change, aimed to tidy the company into a few core areas businesses and dispose of all of the peripheral and unprofitable activities.

Golden Eagle has at best been modestly profitable. In 1985 it made an operating surplus of £1.4m, and in the first nine months of this year incurred a small loss.

Mr David Elton, marketing director of Ultramar, said yesterday that Golden Eagle had a higher value to KPI because, unlike Ultramar, it had access to oil products from its own refineries.

Proceeds of the sale will be used at first to reduce Ultramar's borrowings, and as a result gearing is likely to be cut by 6 per cent from about 60 per cent. Eventually the money will be applied to Ultramar's central businesses in the UK and the US.

KPI is a part of the state owned Kuwait Petroleum Corporation, and is the first integrated oil company to have been created by a member of Opec.

In October last year the company bought Hays Petroleum Services, which distributes petrol to 800 stations in the UK, and has now converted 100 of them to its new brand "Q8," launched last August.

The company said yesterday that conversion of the Ultramar sites would begin as soon as possible, with some of the larger units expected to take on the new "Q8" image within the next two months.

In Europe nearly all of KPI's 3,000 stations have already been converted.

Rosehaugh bids £90m for General Funds trust

By Nikki Tait

Rosehaugh, property group, yesterday stepped in with a £89.7m recommended offer for General Funds Investment Trust, just two weeks after F & C Eurotrust narrowly lost a contested bid for the trust.

The offer, a disguised rights issue, offers cash or shares equivalent to 100 per cent of General Funds' formula asset value, which is estimated at 242.5. Institutional shareholders holding 25.4 per cent of General Funds' equity, including F & C which picked up a little less than 15 per cent last November, have agreed to accept. Yesterday, General Funds' shares jumped 16p to 242p while Rosehaugh eased 25p to 705p.

The cash alternative has been underwritten by Rosehaugh's advisers, S. G. Warburg, who will find buyers or purchase shares issued for cash at 675p. Existing shareholders will be able to apply for these shares through an open offer, pro rata to their holdings in Rosehaugh.

The money raised has not been earmarked for any particular project, according to Mr Godfrey Bradman, chairman of Rosehaugh. "We have a huge development programme in hand," he added, "and this will give us greater flexibility."

The terms comfortably top those of F & C Eurotrust, the bid of which provided a cash alternative equivalent to 96.2 per cent of formula asset value and attracted acceptances from holders of 47.3 per cent of General Funds' shares.

F & C said yesterday that it remained disappointed that its Eurotrust bid had failed but "had to make the best of things." The average price of its holding was less than 200p so it should show a profit of just about £2m on the holding.

Rosehaugh is also offering new shares or cash equivalent to 111 per cent of fav for each General Funds' convertible share, and 100p cash for each cumulative preference share.

Rosehaugh is currently involved in a £500m scheme gate scheme in the City of London, and at the end of last year announced a joint venture with Woolworth Holdings to develop a number of the group's high street chain stores.

Underwoods bid talks suspended amid confusion

BY TERRY POVEY

Woolworth Holdings and Underwoods yesterday suspended takeover talks after a day of confusion and further inconclusive negotiations over the price of an agreed bid.

In mid-morning a statement from Woolworth was taken by the market as indicating that talks between the two retailers had been abandoned following a disagreement on the price it was prepared to pay for the chemist and consumer goods chain. Underwoods share price dropped 24p to 217p within minutes of this news.

However, within an hour a fresh statement clarified the first. This said that the talks had not been called off and were continuing but added that no positive outcome was expected in the short term. Underwood's shares closed at 218p.

Both companies have now sworn a vo wof silence and are refusing to comment on the extent of the differences between them. They are understood to have agreed a "cooling off period" so that any future talks will not take place in the full glare ofthe market and the media's attention.

What has emerged from the negotiations so far is that Woolworth considers that around 250p ould be a fair price for Underwoods whilst some of the chemicst chains' major shareholders have been seeking in excess of 300p. Both sides are angry that on Thursday last week the market apparently became aware of their discussions and Underwoods shares leapt strongly on what appears to have been a soundly-based bid rumour.

ANGLIA TELEVISION Group has received acceptances for its 2.86m rights issue in respect of 2.64m ordinary (92.25 per cent). Those not taken up have been sold at a premium.

Evered confirms 15% L and N stake

By Nikki Tait

Evered Holdings, the acquisitive industrial conglomerate headed by the Abdullah brothers, confirmed yesterday that it has acquired a 14.99 per cent stake in London and Northern following a market raid on Monday.

It was now prepared to meet both the L and N board and the current bidder, Demerger Two, "to discuss the future of L and N."

Both Demerger and L and N said that they had been in contact with Evered and its advisers, Robert Fleming, and further developments are expected today.

Mr Raschid Abdullah, Evered's chairman, said it had been apparent that the £90m Demerger offer—which needs acceptances from holders of 90 per cent of L and N's shares—could not succeed but that several of L and N's businesses were of "great interest" to Evered.

If the bid had been successful, Evered had hoped it might be able to purchase those businesses, he added.

According to a spokesman for Evered, these interests are the housebuilding division and the quarries side—two of the more healthy parts of the L and N group.

Yesterday Mr Peter Earl, a director of Ifincorp Earl which is advising Demerger admitted that the Saudi-Arabian Zahid family, which owns a 6 per cent stake in Evered through Zahid Industries & Investments Company, also had a small interest in the Demerger consortium. However, different branches of the Zahid family were involved.

Pavilion Leisure sale denial

Pavilion Leisure Holdings denied yesterday that it had sold Glasgow's Pavilion theatre, its only asset, or that it had ever discussed such a sale. The rumour of such a disposal was without foundation, the company said.

Pavilion also said that there was no indication that any party had built up a stake of 5 per cent or more in the past six months.

Saatchi makes strong start

Saatchi & Saatchi has made a "particularly strong start to the current year, with profits sharply higher than the corresponding period," Mr Maurice Saatchi, chairman, told the annual meeting yesterday.

Shares in the advertising and management services group added 20p to 890p after Mr Saatchi predicted another record year.

Saatchi also said that it would pay an initial $2m (£1.3m) for Cleveland Consulting Associates, a US firm advising on retail distribution. The total payment will amount to 9.5 times the Cleveland's average post-tax profits in the two years to March 1991.

Cleveland reported pre-tax profits of $479,000 in the year to last March and is forecasting at least $1m for the current year. It expects to show net tangible assets of $1.5m on March 31.

Plaxtons/Kirkby details

BY CLAY HARRIS

Plaxtons (GB), Britain's largest builder of coaches, is to issue some 8.9m new ordinary shares as part of its agreed £8.5m takeover of Kirkby Group, coach distributor and General Motors dealer.

Mr John Pepper, joint managing director, said yesterday that marketing information gained through Kirkby would allow Plaxtons to spread production more evenly throughout the year. GM dealerships at Bolton and Rotherham would provide an additional source of income.

The structure of the acquisition has been amended since it was announced in December. The vendors will receive 5,748,503 new ordinary shares worth £4.8m based on a price of 83.5p, £1.24m in cash and £1.96m in guaranteed loan notes.

To fund the loan notes and part of the cash payment, Plaxtons has arranged the placing of 2,650,603 shares through Hill Samuel and Hoare Govett. These shares are being offered at 83p on a two-for-nine basis to existing shareholders, compared with yesterday's price of 98p, up 11p.

Plaxtons will pay up to £500,000 in additional shares based on Kirkby's profits this year.

Southern Business £8m placing

BY CLAY HARRIS

Southern Business Group, the photocopier and vending-machine hire company, is to raise £8m through a share placing.

Half of the proceeds will be used to continue the conversion of three recent acquisitions from sales to rental operations, Mr David McErlain, managing director, said yesterday. SBG expects to complete this transition by the end of this year.

Initially, the other half will eliminate the USM company's borrowings of £4m but is intended to be used for future takeovers. SBG predicted that consolidation would continue in the fragmented photocopier rental market.

SBG said that trading in the current year had started well. The company last month reported a 36 per cent rise in pre-tax profits to £2.6m for the year to September 30.

Samuel Montagu and Phillips and Drew have provisionally placed 3,865,055 new shares at 215p. Institutions will retain at least 52 per cent of these because of the decision of Mr McErlain, the directors' pension scheme and two family trusts of the chairman, Mr George Stewart, not to take up their entitlement.

Other shareholders will be offered shares on a one-for-four basis. SBG shares lost 5p to 225p.

Downiebrae shares maintain momentum

SHARES in Downiebrae Holdings continued to rise yesterday despite a statement by the Glasgow-based maker of pipe flanges and steel profiles that its growth plans had not changed since two announcements in October.

The company said on Monday that it was pursuing no avenues other than its previously announced efforts to increase available financial resources and expand management expertise.

Downiebrae shares added 7p to 102p, a total advance of 37p since the beginning of last week.

Chambers & Fargus suspended

Shares in Chambers & Fargus, the seed crusher and edible oil refiner, were suspended at the company's request yesterday pending an announcement about a possible share placing.

The company's shares have risen sharply in the past few days. On Monday they rose 5p to 78p and were suspended yesterday at 86p.

Discussions have been taking place with a third party about new trading arrangements and a subscription of shares in the company.

A further announcement is expected on Monday. Issued share capital consists of 3.6m ordinary shares.

UK COMPANY NEWS

US growth helps Fisons to £85m

BY RALPH ATKINS

RAPID SALES growth in the US helped Fisons, the drugs, scientific equipment and horticulture group, increase pre-tax profits from £72.3m in 1985 to £85.1m in 1986.

The group's preliminary results, announced yesterday, include a final dividend of 3.95p. This brings the total for the year to 6.5p net—an increase of 18 per cent. Earnings per share were 27.5p compared with 24.3p in 1985.

Shares in Fisons yesterday fell 16p to 626p.

About 80 per cent of Fisons' sales—up from £646.7m in 1985 to £702.6m—are now overseas. This includes 50 per cent from the US.

"The outstanding feature of the year was the performance of the pharmaceutical division in the US with a total sales increase of 50 per cent," said Mr Kerridge, chairman and chief executive.

However, bad weather in Scandinavia and Germany last summer was blamed for holding back the growth of European sales in Fisons' anti-allergy drugs. Sales of Intal, used by asthmatics, grew by 70 per cent in the US.

The weather was also blamed for a fall in pre-tax profits in Fisons' smallest division—horticulture. These were down £0.7m to £8.0m. Sales in this division were up 6.7 per cent to £72.2m.

Sales in the pharmaceutical division were up 13.1 per cent to £249.8m with profit up 27.7 per cent to £49.8m. In the scientific equipment division sales rose 6.3 per cent to £380.6m and profit was up by 20.8 per cent to £23.2m.

Mr Kerridge dampened speculation that he was on the look out for a major acquisition. He said he believed in organic growth and small acquisitions rather than large or opportunistic bids.

"I think the way to run a buseiness is first and foremost to be rock solid in your strategy and rock solid in a portfolio that can grow organically," said Mr Kerridge.

He added that a major bid by Fisons in the near future—possibly diversifying into new areas—was "unlikely but not impossible."

In September Fisons bought the US Applied Research Laboratories in a deal worth $66m (then £44m). This was followed in January by the $10.4m acquisition of J. & W. Scientific, a California-based company making capillary columns for use in high resolution gas chromotography.

In 1986 return on capital employed was 25.5 per cent compared with 23.9 per cent in 1985.

Extraordinary items for restructuring and closure costs, rose from £3.7m to £4.9m. Taxation increased to £18.4m (£15.2m) but revenue from finance charges fell from £5.4m to £4.1m.

The group plans a scrip issue of one new bonus share for each share held and will ask for approval at its AGM in May.

See Lex

Mercantile Credit advances by 32%

By David Lascelles

Mercantile Credit, the finance house subsidiary of Barclays Bank, yesterday announced record pre-tax profits of £85.3m for the year ended December 31, an increase of 32 per cent.

Mr Stuart Errington, the chairman and chief executive, said profits had come from a good performance in all sectors: consumer, industrial credit and leasing and the motor trade subsidiaries.

"The level of profit we achieved was particularly satisfactory," he said, "bearing in mind the unprecedented level of competition and the gloomy forecasts of the prospects for equipment leasing following the 1984 Budget."

During the year, Mercantile arranged to buy the Motor Auctions Group and the short term rental and chauffeur drive business of Guy Salmon. Both companies are related to Mercantile's existing leasing and auto finance businesses.

Mr Errington said he shared rising concerns over the escalating level of consumer credit. But he believed the most effective remedy was wider support for a central credit reference bureau with comprehensive data storage about individuals' borrowings. He welcomed recent signs of interest by banks in sharing more credit information.

ALFRED WALKER (property developer): Share deals suspended yesterday at company's request. Discussions taking place regarding possible acquisition. Shares suspended at 185p, up 12p on day.

Crowther near £15m and further acquisition made

MR TREVOR BARKER, chairman of John Crowther Group, one of the UK's fastest-growing textile companies, yesterday revealed that profits for the 1986 year had surged by 108 per cent to a record £14.83m pre-tax.

At the same time he announced that Crowther had entered into an agreement with Pochette Nominees Pty of Australia for the acquisition of 50 per cent of Homfray Carpets Unit Trust (HCUT) for A$2.59m (£1.13m) cash.

In addition, Pochette and Crowther will each make interest bearing loans of A$7.5m to HCUT which will be subordinated to all other third party indebtedness.

Mr Barker said that the group's planned expansion strategy had resulted in 14 acquisitions during 1986. He added that careful and controlled reorganisation was now starting to work through into greater operating efficiency, economies of scale and improved marketing.

The acquisitions and reorganisation boosted turnover from £114.91m to £224.62m and operating profits from £8.84m to £18.4m—figures for 1985 have been restated. Interest charges rose by £1.87m to £3.58m.

Earnings per 25p share emerged at 15.7p (10.4p) and a final dividend of 2.5p raises the total by 1.5p to 3.5p net.

After tax of £2.67m (£2.32m) and minorities of £87,000 (nil) profits for the year worked through at £12.07m, up from last time's £5.07m.

A divisional breakdown of operating profits shows: cloth £1.4m (£566,000), carpets £5.44m (£1.51m), clothing £3.06m (£463,000) and distribution £8.51m (£6.3m).

The outlook for 1987 and beyond was described as good. Mr Barker believed that the benefits of reorganisation and a clear sense of direction would result in 1987 being another year of significant progress.

He pointed out that as exports were built up, group know-how taken overseas and further strategic acquisitions made, the shape of Crowther would become increasingly international.

Pochette Nominees is a company associated with the family of Mr Abraham Goldberg, managing director and chief executive of Entrad Corporation.

Directly and through its investments, HCUT carries on the business of Homfary Carpets and Hycraft Carpets. Both manufacture a wide range of high quality tufted carpets and between them account for some 20 per cent of the Australian carpet market.

● comment

For a man who knew nothing about textiles five years ago Trevor Barker is not doing badly. After he took over as Crowther's chairman in 1981, the company remained relatively quiet for four years, but 18 months ago it went on the prowl. Since then a series of 15 acquisitions has helped earnings per share to double, turnover to grow from £11m to more than £220m and the share price to more than triple. The future is likely to show less spectacular growth but prospects are nonetheless good. The distribution arm, which showed organic growth of 35 per cent last year looks particularly promising and all the company's products are benefiting from the consumer goods boom. For this year pretax profits of £23.5m are in view, putting the shares, at 199p, down 1p, on a prospective p/e of about 10. That implies a 25 per cent discount to the market. The City is sometimes twitchy about companies showing such rapid progress through acquisitions but Crowthers shares are likely to outpace the market in the immediate future at least.

Johnstone's Paints hits £2m as margins improve

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

Johnstone's Paints, USM-quoted independent Manchester paintmaker, yesterday reported record profits of £2.05m pre-tax for 1985-96 on sales of £14.51m.

The final dividend is being increased by 20 per cent to 3p per share, making 4.765p net for the year, a 0.5p improvement.

The figures compare with £1.54m on £11.96m in 1985 and £1.52m on £10.47m in 1984, both years when the paint industry was struggling with rapidly increasing raw material costs. These reduced slightly last year, restoring gross margins.

Despite operating in the very tight trade decorative sector against giants such as ICI, Crown and Berger, Johnstone's strengthened its market position by concentrating heavily on quality assurance.

Many medium-sized paint companies have been squeezed by tough competition and rising costs. Some have been making no profits at all and struggling to survive or retain independence.

Johnstone's cash reserves grew by £1m in the year to November 29, 1986, and it intends to pursue further development and look for suitable acquisitions.

During the 12 months Johnstone's became one of only 10 paintmakers so far to achieve the highest quality assurance registration possible—Part I of the British Standards Institution BS5750. The standard covers product development, production and supply.

On the way to this Johnstone's became an approved supplier to the building paints scheme operated by the Property Services Agency.

Quality assurance is likely to become critical to survival in paint markets because all future public sector purchasing will take account of BSI certification.

AMS Industries well down over the year

A 26 per cent reduction in profits before tax and exceptional charges was suffered by AMS Industries in the year ended November 30, 1986. The year's figures included four months from Calrec Radio.

At halfway the profit fell to £1.13m (£1.44m). Then the directors said they were expecting a significant improvement in the second half, but last November informed shareholders that would not materialise. The eventual profit was £2.26m (£3.07m).

Turnover of the group, which makes microprocessor based systems mainly for the audio and broadcasting industries, totalled £4.58m (£4.93m) and the operating profit £1.94m (£2.84m).

This year's profit was stated before £55,000 exceptional charges, being the profit related bonus payable to the directors of Calrec. After that charge earnings came to 4.89p (6.32p); there is a final dividend of 1p for a net total of 1.5p, compared with 0.825p.

Sales of the range of digital audio effects systems came under strong pressure as the year progressed, but steadied in the final quarter and showed some recovery in the first three months of the current year. Over the year that range accounted for 40 per cent of turnover.

The Audiofile range of hard disc recording and editing systems had a successful launch, and also contributed some further 40 per cent to sales. Remaining contribution to turnover came mainly from the hand-held computer business.

Whereas gross margins on all products were maintained throughout the year, the net margins suffered as a direct result of lower overall volume.

At this stage in the current year the level of progress on product introduction and enhancement, coupled with indications of the levels of business expected, gave the directors grounds for cautious optimism.

Trade Promotion

Increased pre-tax losses of £103,000 against £96,000 were reported by Trade Promotion Services Group.

The first half is a period when losses are usually incurred, and Mr Michael Goold, the chairman, said the second half had started extremely well. The interim dividend is stepped up to 1.3p (1.15p).

Turnover rose to £2.08m (£1.63m).

After a tax credit of £36,000 (£38,000) losses per 10p share were 1.2p (1p).

Britannia Security jumps to £2m in six months

FIRST HALF profit of the Britannia Security Group hit the £2m mark, and passed the £1.8m earned for the whole of 1985-86. In the period ended December 31 1986 profit came to £2.03m compared with £867,000 on a turnover ahead from £5.37m to £10m.

The figures included one month of Eurocrate Rentals, while 1985 has been restated on a merger basis.

Mr Anthony Record, chairman, said he believed the group's emphasis on marketing and the continued provision of an excellent service would sustain the group's strong organic growth.

He said in the six months the alarms and integrated systems division embarked on a major marketing campaign.

Over the next six months the business service division would be promoting its new name, Britannia Data Management, with the aim of increasing the repeat income business by capturing a significant proportion of the enormous, and so far unrealised, potential market as well as lifting its share of the present market.

In 1987 several further acquisitions had been announced, the most significant being the recommended bid for DJ Security Alarms. As a result of those acquisitions Britannia was close to achieving its goal of having 30 branches and six sales offices, so enabling it to offer a national service.

After tax £386,000 (£127,000) and minorities £10,000 (£14,000), the half year's net profit came to £1.64m (£726,000) for earnings of 5.78p (4.55p) per share. The interim dividend is raised to 0.72p (0.6p) per 10p share.

There were extraordinary charges of £98,000 (£97,000), this time being the cost of obtaining a full listing.

Chamberlain Phipps says Wardle bid 'ridiculous'

BY PHILIP COGGAN

Chamberlain Phipps, the shoe components and adhesives group, has again rejected the £45.4m offer from Wardle Storeys, the budding industrial conglomerate, describing it as "ridiculous."

On Monday, Wardle's formal document offered three of its shares for every 10 in Chamberlain, valuing each Chamberlain share at 124p. Wardle joined the market in 1984 as a plastics sheeting company and has since added the survival equipment business of RFD.

Wardle justified its bid by pointing to what it sees as its superior management record and its better earnings per share price performance.

"As we expected" said Mr David Chamberlain, chairman, yesterday, "Wardle Storeys is quite unable to produce any evidence that this offer has industrial or commercial merit."

Mr Chamberlain described Wardle as "a company which offers demonstrably limited growth potential from its core businesses" with "over-rated, low-yielding paper."

Wardle's shares closed 2p up at 415p and Chamberlains unchanged at 138p.

Newage hits target

By just topping its forecast, Newage Transmissions produced a pre-tax profit of £1.53m for 1986. That was a 95 per cent advance over the previous year.

The group makes gearboxes and axles, and was introduced to the USM last October at 75p per share—yesterday the price was 86p. The final dividend is the forecast 1p net.

Turnover rose 21 per cent to £10.43m, reflecting a surge in demand across several product areas particularly in the first half. Exports remained steady at about 16 per cent of sales. A 45 per cent lift in operating profit stemmed from the company's ability to respond rapidly to changes in market demand.

While the exceptional first half was not expected to be repeated in the current year, overall it should be another successful period, the directors stated.

Tribble Harris advances

Tribble Harris Li, a US architectural and design services group which came to the USM in December, has announced pre-tax profits of $1.89m (£1.2m) for the year to November 30 1986, against a previous $727,000.

Turnover improved from $12.1m to $15.68m. Its operating costs were $13.78m ($11.38m).

Directors forecast that the maiden dividend will be the interim for the year to November 1987. Adjusted earnings per share this time came out at 8.47 cents (5.97p) against 4.26 cents (3p), after a tax charge of $936,000 ($312,000).

The chairman said the current year had started well and he expected 1986/87 to be another year of substantial growth.

COMPANY NEWS IN BRIEF

RIGHTS AND ISSUES Investment Trust: Net asset value per income share rose by 11p to 64p for 1986 year. The figure for the capital shares rose by 52.8p to 191.3p. Net revenue for period totalled £132,714 (£127,078) after tax of £56,863 (£57,537). Earnings per income share amounted to 3.573p (3.511p) and a final dividend of 3.15p makes a net total of 4.25 (4p). Earnings per capital share were 0.179p (0.178p).

KERRY GROUP (USM-quoted food processor): Single final dividend of 0.375p on A ordinary, and 0.833p on B ordinary sharesf or 1986. Pre-tax profits £6.33m (£5.11m) on turnover of £265.24m (£211.24m). Tax £37,000 (nil). Earnings 6.01p (5.03p) per share.

DEAN & BOWES Group, USM-quoted refurbisher of licensed premises and leisure centres: final dividend 2p making 3p for 1986. Turnover £3.79m (£2.13m), and pre-tax profit £569,000 (£401,000). Tax £224,000 (£177,000) and earnings per 5p share 5.8p (4.2p). Current year started well and all companies within the group are operating profitably and looking up to coming year with confidence.

COMMERCIAL BANK of the Near East: Interest income £9.5m (£10.25) and pre-tax profits £1.05m (£704,000) for 1986. Earnings per share 46.5p (36.9p) after tax of £582,000 (£334,000). Dividend 30p net (same).

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UK COMPANY NEWS

Avana chairman calls for monopoly probe into bid

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

THE MONOPOLIES and Mergers Commission should investigate Ranks Hovis McDougall's takeover bid for Avana Group, Dr John Randall, chairman of the Cardiff-based target company said in London yesterday.

Speaking at the launch of Avana's formal defence document, he once again rejected RHM's £243m offer, and described it as a tactic to protect the aggressor from Australian and New Zealand companies which have built up a stake of almost 20 per cent in RHM.

Dr Randall said he had made a submission to the Office of Fair Trading and hoped it would recommend a scrutiny of the effects of the merger of the giant bread-and-Bisto group and his specialist own-label food company on the markets for packaged cakes and chocolate couverture.

Dr Randall said a successful takeover would increase RHM's current 45 per cent share of the cakes trade to about 62 per cent. The RHM range is led by the Mr Kipling brand, while most of Avana's output sells under supermarkets' own labels.

"Ranks has done a good job. Lyons (part of Allied-Lyons) has been pushed down to less than 25 per cent," he claimed. "If the bid were to succeed, Lyons's position would be even more frail."

RHM would gain a stronger hold on the UK market for chocolate couverture — the material used for chocolate coatings and fillings in biscuits, cakes and choc-ices. It already claims about 60 per cent of the business and Avana has around 30 per cent, Dr Randall said.

He also stressed the benefits soon to come from Avana's plan to open a £28m food park at DragonParc, Merthyr Tydfil, near Cardiff.

Output of high added-value products from this operation would allow Avana to broaden its cusomer base: at present Marks and Spencer accounts for some 20 per cent of group turnover. It would enable the company to fulfil orders from leading retailers in Belgium and the Netherlands.

It would also be contributing profits by the 1987-88 financial year, he said, providing at least 500 new jobs.

Countering RHM's offer document claim that the two companies would fit together well, Avana's defence document says RHM's strategy is based on bread and branded products, and relies on heavy advertising and long production runs.

"This contrasts strongly with Avana's flexible and high added-value strategy, involving dedicated production lines for private label customers."

Blagden picks up in second half

Blagden Industries has made up the shortfall of the first half to show a 30 per cent increase in trading profit and a 45 per cent advance to £6m in the pre-tax balance over the year ended December 28 1986.

Group turnover for the year improved 13 per cent to £135.43m (£119.89m), while the operating profit came out to £7.92m (£6.09m). This year suffered from higher interest charges of £1.73m (£1.47m) and a loss in related companies of £142,000 (profit £45,000), but benefited to the extent of £504,000 as there were no plant closure and redundancy costs.

The second half saw an all-round improvement in performance compared with the first half of 1986 and the second half of 1985.

The European packaging business did particularly well. In the UK the chemical side continued to prosper, achieving increases in manufacturing and trading profits, and the packaging and industrial protective equipment divisions improved profitability in the second half. The major loss-making plastics side was sold.

Tax took £2.25m (£1.99m) and minorities £19,000 (£13,000) to leave earnings at 12.9p (8p). The final dividend is held at 3.7p for an unchanged total of 7.2p net.

There were extraordinary charges of £1.74m this time being the loss on the sale of the Billericay plastic injection and compression moulding and plating businesses. The £4m proceeds were nearly all received by the end of the year. In addition, contracts had been exchanged for the sale of the 10½-acre site and application was being made for planning permission for housing development.

● comment

Blagden's results are £¾m to £1m more than forecasts and the shares rose 18p to 170p in response to this good news, even though a maintained dividend sees the yield, for long one of the prime reasons for holding the stock, slipping to 6.1 per cent. This year the adding on of Read's volume should boost UK packaging (£1.5m this time round), European packaging (up to £5.4m in 1986 from £3.7m previously) could be hard pushed to grow much, and what's left of plastic moulding (a £320,000 loss in 1986) should break-even. Taken together with a lower interest charge (cash generation plus property sales will at the very least cut net debt in half) pre-tax profits of around £7.3m appear likely. However, the return to a higher tax charge of some 43 per cent will restrain the earnings growth rate to around 10 per cent. The prospective multiple is just under 12 and the safe bet for 1987 is a year of debt reduction, loss elimination and the building up of solid dividend and interest charge cover. However, Blagden may be on the move — it has changed brokers (after 66 years) and appointed a new chairman, John Gillum of bankers Rothschild, who was the guiding light behind the company's controversial offer for what has become its highly successful European operations.

Allied Plant improves to £1.7m

Allied Plant Group, which has been busy on the takeover front over the past 12 months, raised its profits for the 1986 year to £1.65m at the pre-tax level, an improvement of 12 per cent over the previous year's restated £1.48m.

As forecast in September, shareholders are to receive a 1p dividend, their first payment since 1982.

The year was dominated by the acquisition of Trevor Crocker and Partners and the megrer with George Dew. The directors pointed out that, while Crocker had taken longer to respond to the financial and management reorganisation than envisaged, profit performance was fully up to expectations.

They added that with the 1986 acquisitions having been largely integrated, the consequent balance sheet strength and flexibility, as well as a strong opening to the 1987 year, gave ground for encouragement and should enable the group to extract improving returns from its existing base.

It was their intention to continue an active acquisition policy.

In 1986 the forklift division produced record profits. Plan is to expand the operating activities into other parts of the UK in 1987.

Group turnover improved from £45.35m to £47.27m. Earnings worked through at 2.36p (1.74p) after tax of £334,000 (£504,000) and minorities of £22,000 (£15,000).

S. Casket 37% higher at midyear

Taxable profits of S. Casket, Manchester-based clothing importer and distributor, rose 37 per cent from £772,000 to £1.06m in the six months to end-December 1986.

The directors said that although the greater part of group profits are earned during the first half, results for the full year will confirm the excellent start made in the first six months.

The results included a contribution from Armatex, the East London-based cloth supplier and garment manufacturer acquired earlier this year. Other acquisitions which would be complementary to the group's planned development were being considered, they added.

The interim dividend is increased to 1p (0.8p).

Group turnover rose to £17.3m (£15.54m). After tax of £240,000 (£200,000), stated earnings per 10p share rose to 6p (4.14p).

Standstill at Microvitec

STATIC PROFITS were reported by USM-quoted Microvitec in the year to end December 1986.

Turnover of this Bradford-based company which designs, manufactures and markets products related to application of micro electronics fell to £19.02m against £20.74m last time. After sales costs of £13.6m (£16.03m), distribution costs £1.76m (£1.61m) and administration expenses £2.49m (£2.08m).

After interest, taxable profits were £1.15m, virtually unchanged from last year. Tax took £426,000 (£417,000), and earnings per 5p share were unchanged at 2.7p.

A final dividend of 0.75p is proposed making an unchanged total of 1.25p for the year.

Mr Tony Martinez, chairman, said that sales in the traditionally strong September to November period were below expectations for monitors due to short-term competitive conditions.

In contrast the Microcolour Graphics subsidiary almost doubled its sales to £4.5m. The US subsidiary Microvitec Inc. had a disappointing year and incurred a pre-tax deficit of £200,000.

BOARD MEETINGS

TODAY

Interims: Consolidated Gold Fields, Fletcher Challenge, John Haggas, Highpoint, Instem, Lawtex, Macro 4, Medminster, New Cavendish Estates, Star Computer, Synapse Computer Services, Trans-Natal Coal.

Finals: Commercial Union Assurance, General Accident Fire and Life Association Corporation, Midland Bank, J. N. Nichols (Vimto), St Modwen Properties, Taverner Rutledge, Tozer Kemsley and Millbourn, Zambia Consolidated Copper Mines.

FUTURE DATES

Interims—	
Microfilm Reprographics	Mar 5
Next	Mar 12
Strong and Fisher	Mar 9
Finals—	
Ameri	Mar 30
Anglo American Industrial	Mar 12
Britoil	Mar 19
CPU Computers	Mar 24
Cement Roadstone	Mar 11
Euro Home Products	Mar 12
Halls Home and Gardens	Mar 18
Hepworth Ceramic	Mar 25
M6 Cash and Carry	Apr 8
Stat Plus	Mar 11

Provident Financial profits fall 6%

SHAREHOLDERS in Provident Financial Group engaged in consumer credit, retail services and insurance, are to receive a 20 per cent increase in dividend for 1986. A final of 9p now recommended makes a total of 13p net, against an adjusted 10.83p in 1985.

On the profit front some recovery has been made from the setback reported at halfway, when profits fell by over 20 per cent compared with 1985 because of a relatively poor start by the weekly-collected credit companies.

The large upsurge in customers in 1985 had caused problems, which had been exacerbated by the introduction of new branch administration systems.

For the year, pre-tax profit fell by 6 per cent, from £23.72m to £22.26m, although turnover rose by a similar percentage to £409.68m (£385.37m).

The improving trend, the directors stated, was expected to continue in 1987.

After tax £7.82m (£9.71m) earnings came out to 29.07p per share (28.29p restated). Last time there was an extraordinary debit of £510,000.

● comment

Personal finance, insurance, estate agency—it all sounds like the blueprint for one of today's go-ahead financial conglomerates but Provident only went backwards last year. To be fair, the group is concentrated on the downmarket end of the consumer boom—weekly credit instalments, with the average debt per person around £300. But in the first half, the effect of 1985's customer growth swamped Provident's ability to collect its payments and bad debt provisions soared. In the second half, Provident began to catch up and the prospects for 1987 seem to indicate that it can return to its long term trend of profits growth. Insurance and estate agency remain rather small parts of the group's activities but only a small push from them will help the group to £25m pre-tax this year with the 5.5 per cent yield giving support to the shares, at 340p, currently on a prospective p/e of 10.

Astra further in red at interim stage

Increased attributable losses for the six months to October 31, 1986 were reported by Astra Industrial Group, the engineering concern which also has interests in leisure and property.

Group turnover decreased slightly from £2.55m to £2.35m, while trading profit dipped to £56,000 against £130,000 last time. Central overheads took £149,000 (£99,000) and interest payable £158,000 (£170,000). After exceptional items totalling a debit of £489,000, the loss attributable to shareholders increased from £139,000 to £740,000. There was again no allowance for tax.

The exceptional charge consisted of additional provision of £530,000 to cover obsolete and slow moving stock and written-off lease expenses of £60,000. There was a profit of £101,000 on the sale of investment properties.

After a below-the-line debit of £239,000 representing the loss on the sale of the Tipton factory, the loss per 5p share came out at 0.31p (0.2p).

Expanding on the figures, the directors said that the engineering division's profits were not significantly affected despite lower turnover due to the continuous rationalisation of the business.

The leisure division, which incurred a loss of £30,000 against a profit of £29,000 last time, continued to provide disappointing results and the directors considered the return on capital employed to be inadequate. The future of all leisure activities was under active review, they added.

Astra intends to make further property acquisitions but with the effect of showing acceptable returns on capital as well as growth in value.

Mr Theo Paphitis has been appointed chairman and chief executive.

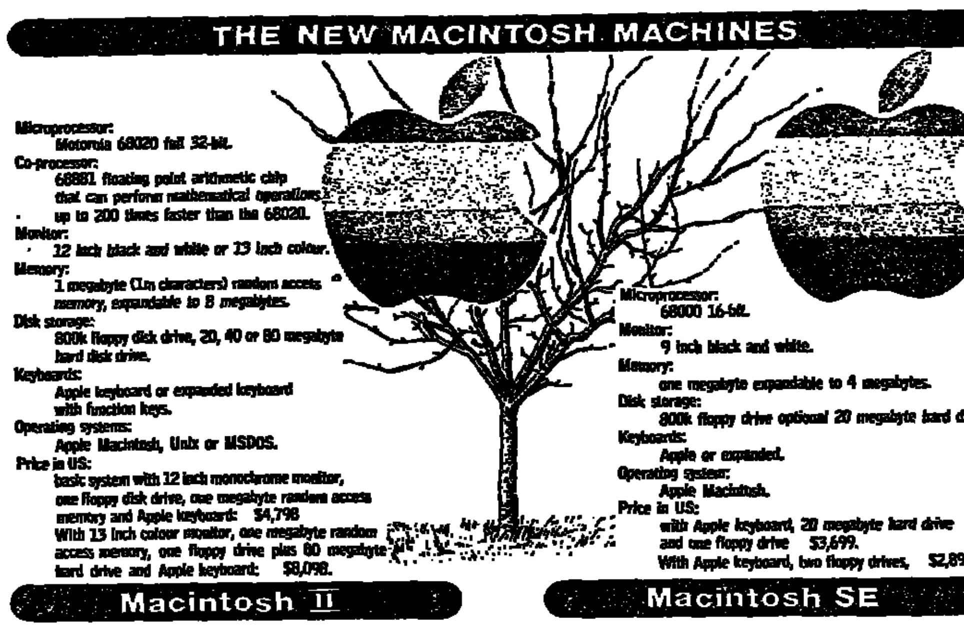
Logic behind Apple's new crop

Louise Kehoe in San Francisco looks at the latest additions to the Macintosh range

THE Hollywood debut of Apple Computer's flashy new "Macintosh II" thrilled computer critics this week. But for most of Apple's audience of potential customers, it was the "Macintosh SE," a souped up version of the current Macintosh design, that stole the show.

Introducing the two new Macintosh computers, at Hollywood's Universal Studios on Monday, John Sculley, Apple's chairman, declared the Macintosh II, "the first true second generation personal computer," a machine that marks a major turning point in personal computer performance.

The "Macintosh SE" is however, "for most people the product of choice. Certainly, the product I will use," said Sculley. The SE would also, he predicted, become a major revenue generator for Apple this year, while the Macintosh II was not expected to sell in high volumes until 1988.



High resolution colour graphics, dramatically expanded main memory and raw processing speed put the Macintosh II into a new class of personal computers. But Apple does not expect its latest offering to be without challengers for long. The personal computer industry is anxiously awaiting IBM's long anticipated announcement of its own 32-bit personal computer. After dozens of false alarms, US industry analysts are now expecting an IBM announcement in May.

Apple is confident, however, that the Macintosh II can withstand IBM's latest technology. Rather than attempt to fight IBM head-on in the broad business personal computer market, Apple aims to continue to create new market niches for the Macintosh, as it has done so successfully in desk top publishing over the past 12 months.

John Sculley believes that he has spotted another winning application in what he calls "desk top presentation," the use of personal computers to create slides, overhead transparencies, flipcharts and handouts for business presentations. According to industry analysts the market for presentation graphics is about to surge from an estimated $100m to over $1bn by 1990. Apple aims to put its Macintosh SE in the forefront of this emerging sector.

But the company has yet to identify a key application for its high-powered Macintosh II. According to John Sculley, first customers for the Macintosh II will include business customers who will extend their in-house publishing capabilities, and so-called "power users" to whom the processing speed of the Macintosh II will appeal.

He also sees potential for the Macintosh II in universities and colleges. Eventually, Apple hopes to see "desk top engineering" applications developed for the Macintosh II, but engineering and design software for the new machine is probably six to nine months away, concedes Sculley.

Like the original Macintosh computer, introduced in January 1984, Macintosh II is a clearly superior machine that may be ahead of its time. It took Apple two years to find a market for the original Macintosh, but when it did, sales grew rapidly. During 1986, monthly sales of the Macintosh doubled, and it became the top selling personal computer in US computer stores. For Apple Computer, the challenge is to speed the process and make Macintosh II a success in 1988.

The contrast between the two "Macs" is striking. While the Macintosh SE looks very much like the familiar Macintosh with its built-in monitor and stylish casing, the Macintosh II is big and clumsy looking. At least as big as an IBM PC AT, the Macintosh II comes with a separate monitor, processing unit and keyboard.

The styling of the two computers tells much about what is going on inside them. The Macintosh SE represents the refinement of a three-year-old design. Its circuit board contains just a handful of specially designed integrated circuit chips, replacing dozens in earlier versions.

The Macintosh II, in contrast, is the first of a new generation of computers. There are signs of last minute fixes on its circuit board with tiny wires spanning the back of the board, which is packed tightly with dozens of chips.

Apple has chosen not to risk using complex custom chips for the brand new Macintosh II design, John Sculley explains. Although it "costs us on our margins" he acknowledges, the Macintosh II circuits will not be "carved in stone"—or defined in custom integrated circuits, "until we have more experience with it," he says.

With fewer chips, the Macintosh II might shrink into a smaller box—and perhaps gain some attention from Apple's industrial designers who put so much style into the Macintosh case.

Appearances aside, the two new Macintosh models have much in common. Both offer the Macintosh trademark displays with pull down menus and icons (picture indicating functions) and both will run most current Macintosh application programs.

In terms of performance, however, the Macintosh SE and the Macintosh II are worlds apart. The Macintosh SE is no slouch. It processes information 15-20 per cent faster than its predecessor the Macintosh Plus, and fulfills the "wish list" of many Macintosh users with one to four megabytes (4m characters) of main memory, and two built in disk drives, including an optional 20-megabyte hard disk. In response to Macintosh critics, the SE has one "slot" for add-on circuit boards such as circuits that emulate an IBM personal computer.

But the Macintosh II is a far more powerful machine. Driven by a 32-bit Motorola microprocessor, the Macintosh II approaches the performance of a minicomputer or an engineering workstation, in a machine that sells for a fraction of the price of either of these devices. The Macintosh II is the first Macintosh with very high resolution colour graphics. It is also the first to incorporate "slots" that can accept up to six add on circuit boards. Internal memory ranges from one to eight megabytes and the machine can be equipped with up to 80 megabytes of disk storage.

Singapore's finger on the US pulse

By Stephanie Yanchinski

A COMPANY little known outside Singapore is making a name for itself in the US market with a product every doctor uses. Singatronics is challenging the Japanese with an improved instrument for taking blood pressure and is launching a new model for use on the critically ill at home.

Singatronics, the largest contract manufacturer of computer related and other electronic products in Southeast Asia, is in the vanguard of Singapore companies' efforts to expand internationally with products sold under their own name.

Singatronics' BP-3 blood pressure monitor, launched by the company's US subsidiary, Healthcheck, notched up 30,000 sales in its first six months. But it is with an innovatory model, which can take blood pressure from the fingertip, that Singatronics' managing director Eddie Foo expects the company's reputation to be made.

In the time-honoured (auscultatory) method of taking blood pressure, the doctor straps a cuff around the patient's upper arm, inflates the cuff with an air bulb and, by gradually letting out the air, listens through his stethoscope for the two sounds that characterise the heart beat. But the microphone in the cuff can pick up background noise.

The Japanese have developed oscillocopic techniques, by which blood pressure is detected by an instrument picking up the wave form of the flow through the vessels. The results are read out electronically.

Singatronics' BP-3 uses pulsonic technology, which combines the Japanese technology with an improved audio method. In the BP-3, a first reading by wave-form is checked using a microphone in an outside unit, away from disturbing noises.

The new unit is about the size of a calculator. The patient's finger is wrapped in a modified cuff which, at the press of a button, inflates. An electronic recorder displays blood pressure and pulse on a liquid display screen.

"This product opens a new market for continuous blood pressure monitoring," says Mr Foo. Tests have shown the product is easy to use, an important factor in home care.

WORTH WATCHING

Edited by Geoffrey Charlish

Swedes get data on the move

THE SWEDISH national telecommunications organisation, Televerket, is introducing a radio-based text and data communications network called Mobitex, which is expected to cover most of the country within the next two years.

Radio units installed in vehicles will act as a bridge between the fixed radio stations and the user's mobile screen and keyboard equipment, the latter determining data coding and format.

Each base station in the fixed network will be allocated 16 channels. Vehicle radio units "listen" for their call code, accept it and are told which traffic channel to tune to. Then, the vehicle terminal can "talk" to the fixed base terminal and so to the main computer of the company that runs the vehicle.

The radio system automatically knows where each vehicle is and uses the nearest base station. The base stations will eventually be connected through various exchanges to Swedish data, telex and telephone exchanges.

Mobitex uses packet data transmission in which text or data to be sent is divided into short bursts. This makes better use of the transmission channels, makes eavesdropping difficult and simplifies encryption of data where top security is needed.

Shedding light on underwater TV

IN UNDERWATER television filming, suspended material in the water often disperses the beam from the lamps used to illuminate the subject. The veiling glare that results reduces the visibility range of cameras to about 10 metres.

But now UK company Ferranti has developed the prototype of a system with laser beam illumination. The laser sends out very bright pulses of light of extremely short duration and the special camera only "sees" the subject at the moment a pulse reaches and illuminates it. Thus, dispersed light caused by the pulse on its way to the subject is never seen by the camera and the effective range for filming is increased.

Tank trials at the Atomic Energy Research Establishment, Harwell, UK, produced vision ranges of 32 metres.

The development should attract those involved in offshore oil work, seabed surveys and underwater salvage operations. Ferranti is looking for financial backing in order to develop a commercial version of the product.

Twin role in circuit design

DAISY SYSTEMS, the US-based computer-aided engineering (CAE) company, has introduced new software which allows engineers to design and analyse printed circuit board designs that incorporate both analogue and digital circuits (most systems allow only one or the other). Called A/D Lab, the software lets designers draw schematics, verify a design and look at analogue and digital signal waveforms, side by side.

Bytes in the palm of the hand

UK COMPANY Husky Computers of Coventry claims to be producing the smallest and lightest general purpose hand-held computer, having "eliminated the compromises" present in most units of this kind.

Known as the Hawk, the machine measures 210 x 145 x 36 mm (8.3 x 5.8 x 1.4 inches) and weighs 750 gms (26 ounces). Yet with up to 352,000 bytes (characters) of random access memory and 128,000 bytes of read only memory, it has the computing power of many desk-top computers. A full graphics liquid crystal display is provided, together with communications facilities. Permanently installed nickel cadmium batteries last for 35 hours per charge. Most programming languages can be used. The price is £895.

A measure of perfection

ALLEN BENNETT Controls of Sheffield in the UK is offering an image sensing system for industrial applications which, it is claimed, can measure dimensions to an accuracy of 14 microns (millionths of metre).

Designated IX-C100, the system is made in Japan by Sunx and costs about £6,000. It consists of an easily programmed personal computer (PC), a camera with a 4096 bit charge-coupled device (CCD) sensor, and a light source. Once the PC has been programmed with dimensional details of the parts to be measured, the camera, on "seeing" one of the items, can pass or fail it in two milliseconds (thousandths of a second).

Doubts over the AMT solution

ACCORDING TO Mr Brian Small, managing director of Ingersoll Engineers, a leading UK manufacturing consultancy, the factory of the future "is a myth."

In a recent statement Mr Small said he thought many manufacturing companies might by now believe that advanced manufacturing technology (AMT), used in isolation, could solve their problems.

"What we have to face," he asserted, "is the prospect of change in all aspects of the business. The factory cannot be transformed without updating purchasing, accounting, product design, marketing, distribution and the very structure of the business."

But he emphasised that Ingersoll Engineers was not backing away from AMT. He simply thought the emphasis should be on the "business of the future" rather than the "factory of the future."

CONTACTS: Televerket Radio: Sweden, 40 251199. Ferranti Defence Systems: UK, 031 337 2442. Daisy Systems: UK office, 0256 464061. Husky Computers: 0203 668181. Allen Bennett Controls: UK, 0742 442424.

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCK DESCRIBED BELOW IS NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND. OFFICIAL DEALINGS IN THE STOCK ON THE STOCK EXCHANGE ARE EXPECTED TO COMMENCE ON WEDNESDAY, 4TH MARCH 1987.

PARTICULARS OF AN ISSUE OF £1,200,000,000

9 per cent EXCHEQUER STOCK, 2002

SCHEDULE OF PAYMENTS:

Amount paid on issue	£20.00 per cent
Amount payable on Monday, 27th April 1987	£76.00 per cent

INTEREST PAYABLE HALF-YEARLY ON 19TH MAY AND 19TH NOVEMBER

This Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the Council of The Stock Exchange for the Stock to be admitted to the Official List.

1. £1,000,000,000 of the above Stock has been issued to the Bank of England on 2nd March 1987 at a price of £96.00 per cent; the balance of £200,000,000 has been reserved for the National Debt Commissioners for public funds under their management. The amount paid on issue was £20.00 per cent and the amount payable on 27th April 1987 will be £76.00 per cent.

2. The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

3. The Stock will be repaid at par on 19th November 2002.

4. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the Central Gilts Office Service will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislation. Transfers will be free of stamp duty.

5. Interest will be payable half-yearly on 19th May and 19th November. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. The first interest payment will be made on 19th November 1987 at the rate of £5.3672 per £100 of the Stock.

6. Until payment in full has been made and a completed registration form submitted to the Bank of England, the Stock (other than amounts held in the Central Gilts Office Service for the account of members) will be represented by letters of allotment.

7. Payment in full may be made at any time prior to 27th April 1987 but no discount will be allowed on such payment. Interest may be charged on a day-to-day basis on any overdue amount which may be accepted at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1 per cent per annum. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for the relevant payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate. Default in due payment of any amount in respect of the Stock will render the allotment of such Stock liable to cancellation and any amount previously paid liable to forfeiture.

8. Letters of allotment may be split into denominations of multiples of £100 on written request received by the Bank of England, New Issues, Watling Street, London, EC4M 9AA on any date not later than 23rd April 1987. Such requests must be signed and must be accompanied by the letters of allotment.

9. Members of the Central Gilts Office Service may, subject to the provisions of the agreement governing their membership of that Service, surrender a partly-paid letter of allotment to the Central Gilts Office for cancellation and for the Stock comprised therein to be credited to the member's account. The member who is shown by the accounts of the Central Gilts Office as being entitled to any Stock shall, to the exclusion of all persons previously entitled to such Stock and any person claiming any entitlement thereto, both be treated as entitled to such Stock as if that member were the holder of a letter of allotment and be liable for the payment of any amount due in respect of such Stock. A member will be entitled at any time prior to registration to withdraw, in multiples of £100, Stock credited to the member's account and to obtain a partly-paid letter of allotment comprising such Stock, and such member shall be liable for the payment of all amounts becoming due thereafter in respect of such Stock unless and until that letter of allotment is surrendered to the Central Gilts Office for cancellation as aforesaid.

10. Letters of allotment must be surrendered for registration, accompanied by a completed registration form, when the final instalment is paid, unless payment in full has been made before the due date, in which case they must be surrendered for registration not later than 27th April 1987; registration of Stock held for the account of members of the Central Gilts Office Service will be effected under separate arrangements.

11. Copies of this notice may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 9AA, or at any of the Branches of the Bank of England, or at the Glasgow Agency of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; or at any office of The Stock Exchange in the United Kingdom.

Government statement

Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON
2nd March 1987

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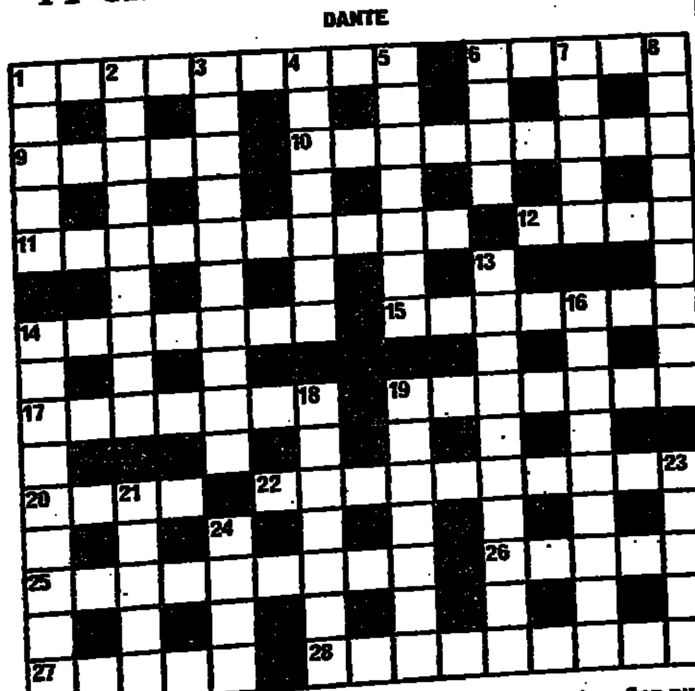


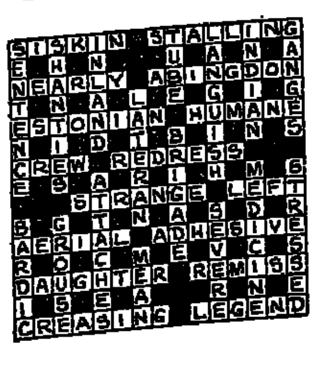
ACROSS

1 Dismissed from the Jockey Club? 6,3)
6 Banter in which affection takes a part (5)
9 Odd, only one rose growing in a bed (5)
10 Braves declare it avoids humiliation (4-5)
11 Sinister operator (4-6)
12 Uninteresting piece of scenery (4)
14 Withheld a warning shout when catching the ball (7)
15 Melodies to practise on board (7)
17 Large vessel used as a pressure-cooker (7)
19 Ether may be found around at this place (7)
20 The way to travel to gain time (4)
22 He stays well away from work (10)
25 One that always pockets litter (9)
26 Give rank and number (5)
27 Relation working in E.E.C. (5)
28 N.E. town entrances manager (9)

DOWN

1 Monster fish? (5)
2 Check the power of support? (9)
3 Creatures that ruin the marrows (10)
4 Aggressive action taken by those insulted (7)
5 They admit they're often punched (7)
6 Play group (4)
7 It is struck by forgers (5)
8 Indication of what's to come of a street riot (9)
13 Fresh eggs a change from fruit? (10)
14 She parts company with an angler (9)
16 Put in for one stripe, perhaps (9)
18 University study (7)
19 One of three allowed to finish a journey (7)
21 This material sounds swell (5)
23 Demolished what's soundly built (5)
24 Sixth Century invader renowned for sacking (4)

Solution to Puzzle No 6,267



AUTHORISED UNIT TRUST & INSURANCES

Cannon Assurance Ltd
1 Olympic Way, Wembley HA9 0NB 01-902 8876

2nd Series Life Accumulation				
Equity	379.8	401.9		—
High Income	325.8	344.8		—
Property	217.6	230.3		—
Managed 2	95.6	101.1		—
Managed	269.5	285.2		—
Managed 4	98.2	103.9		—
Deposit	178.1	188.5		—
Gilt	186.7	197.6		—
American	275.3	291.3		—
International Money	198.0	209.5		—
Far East	216.5	229.1		—
Global	107.3	113.5		—
European	107.9	114.2		—
Japan	114.2	120.8		—
Heritage Property	98.5	104.2		—
2nd Series Pension Accumulation				
Equity	610.3	645.8		—
High Income	391.0	413.8		—
Property	306.6	324.4		—
Managed 2	95.6	101.1		—
Managed	392.4	415.2		—
Managed 4	98.6	104.3		—
Deposit	265.9	281.4		—
Gilt	264.2	279.6		—
American	437.3	462.8		—
International Money	284.9	301.5		—
Far East	239.8	253.8		—
Global	110.7	117.1		—
European	111.5	118.0		—
Japan	119.6	126.6		—
Heritage Property	99.9	105.7		—
Other Funds				
Equity Units		81.88		—
Property Units		22.98		—
Balanced Bond/Exec	37.99	40.20		—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	121.0	128.0		—
Risk & Reward Bond	159.0	168.0	+2.0	—
Murray Johnstone Fd	137.0	145.0		—

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INSURANCE, OVERSEAS & MONEY FUNDS

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

MANAGEMENT SERVICES

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES

[illegible]

TRADITIONAL OPTIONS

3-month call rates

[illegible]

COMMODITIES AND AGRICULTURE

Indonesia's change of heart on 'Tinpec'

BY JOHN MURRAY BROWN IN JAKARTA

FREE COMPETITION in the tin market is a thing of the past—for the time being at least. Starting this week, for one year, the world's leading producers are to limit exports of the metal in an attempt to boost prices and reduce the huge stocks currently overhanging the market.

The accord launched by the seven-member Association of Tin Producing Countries (AIPC) raised eyebrows on a number of counts. Gone is the combative tone of earlier statements urging producers to "stop subsidising Western consumer nations." Success or failure of the accord is seen to depend too much on outside factors: the role of non-ATPC producers Brazil and China, and the banks and brokers which were left holding stock when the International Tin Council (ITC) collapsed in October 1985, and the policy of the US in releasing tin from its strategic reserve currently estimated at 150,000 tonnes.

For the ATPC to win approval for joint action is a considerable achievement, given the differences between members, Malaysia, Indonesia, Bolivia, Thailand, Zaire, Nigeria, and labour force.
Australia. "If you had asked me three months ago whether they could pull it off," said one trader, "I would have said 'no chance'."

The three Southeast Asian producers are seen as largely instrumental in devising a plan which limits exports to 96,000 tonnes this year, about 8 per cent below 1986 levels. In particular Malaysia and Indonesia, traditionally the two largest producers, have settled differences and successfully marshalled arguments in favour of co-operation at a time when some are calling for increased output to take advantage of any rise in the price of the metal.

The pact is all the more remarkable given Indonesia's past attitude of independence, not to say recalcitrance, on commodity agreements. Indonesia was first to reject the plans of Tinco Realisations, the company set up to take over stocks held by banks and brokers. It was Indonesia which had refused to support the ITC buffer stock, a mechanism used by consumers and producers to stabilise prices before the crash. And in recent months Indonesia had been further bucking the international trend, announcing increased output, while producers worldwide are facing retrenchment, the closure of mines and huge lay-offs of the

Much of the credit for the apparent turnaround in Indonesia's stance belongs to Dr Subroto, the country minister of mines and energy, and currently the ATPC chairman. Drawing, no doubt, on his experience as Indonesia's spokesman at Opec, Dr Subroto has been able to cajole his fellow ATPC members and, rather less ceremoniously, bludgeon his country's domestic industry into accepting a plan which aims to reduce stocks from the present 80,000 tonnes to around 20,000 tonnes in 2½ years, at which point "the free market is to prevail."

Dr Subroto . . . deserves much of the credit.

Indonesia's domestic tin producers are none too pleased. The agreement is seen to help Malaysia produce near its break even point, and largely discounts Indonesia's advantages as a low cost producer, capable of switching to high grade deposits to combat depressed prices.

Crude oil prices rally

By Lucy Kellaway

OIL PRICES rose strongly yesterday, more than reversing Monday's decline. In London Brent for April delivery rose about 70 cents to a peak of $16.65 a barrel, while on the New York light crude futures market, the prompt April position rose a full dollar to $17.39.

Traders disagreed whether yesterday's move, the latest in a series of gyrations over the last two weeks, reflected any underlying change in market sentiment.

Some argued that recent anxiety over the stability of the latest Opec accord had been overdone, and that the rise marked a growing awareness by consumers that they were going to have to pay official Opec prices. Others said that the market remained divided, and was prone to be driven either way more or less by whim.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,320-2,350 (2,310-2,340).

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse, 2.20-2.30 (same).

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots, 0.90-0.93 (0.91-0.93), sticks, 0.90-0.93 (0.91-0.93).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 6.10-6.20 (6.15-6.25).

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 195-203 (179-189).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.08-3.12 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.00-4.90 (4.00-4.80).

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif, 42-48 (39-46).

VANADIUM: European free market, min 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif 2.48-2.53 (same).

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 16.65 (same).

EEC farm deadlock continues

BY TIM DICKSON IN BRUSSELS

THE SEARCH continued yesterday for what is fast becoming EEC Agricultural Ministers' equivalent of the Holy Grail—namely an issue on which all member states of the Community can agree.

By last night even the increasingly desperate efforts of the Belgian Presidency and the European Commission had failed to break the deadlock over plans to suspend the system of guaranteed EEC butter purchases and an Ecu 1bn (£730m) programme of so-called "socio structural" measures aimed at softening the impact of CAP reform.

The embarrassment for the Commission and for the less obstructive member states is that broad commitments in principle on both the outstanding issues were solemnly made at December's meeting of the Farm Council which agreed the historic package of milk quota cuts and reductions in beef price support.

It had been hoped that the loose ends would be quickly tied up but problems arose firstly when the Commission spelt out its detailed ideas and then when it announced a highly restrictive farm price package for the year beginning in April.

Many in Brussels suspect that some Ministers are already looking ahead to what are bound to be bitter negotiations over prices.

Yesterday's meeting began with further discussion of the Commission's wish to suspend the system of butter "intervention" when stocks reach a certain level. (In total, they are currently about 1.25m tonnes.)

The original proposal would have given the Brussels executive powers to stop guaranteed buying in immediately but this was changed so that such a course could not be adopted until 150,000 tonnes had been taken into store (using March 1 this year as the starting point). Fearful that even this concession would enable the Commission to act some time this summer, the West Germans and the Irish made clear that they were still strongly opposed.

Discussions were set to continue late last night on yet another compromise on butter intervention, involving a somewhat less severe trigger for intervention and apparently designed to deal with certain regional difficulties.

Canute James in Kingston, Jamaica, reports on efforts to gain a higher price

Bauxite producers seek to lighten their load

A WEAK growth rate in the consumption of bauxite has dampened the hopes of the world's leading producers. The impact of the downturn has been most severe on economies heavily dependent on international sales for foreign revenue.

The International Bauxite Association (IBA), the group representing the world's major producer nations which has its headquarters in Kingston, Jamaica, expresses extreme disappointment with last year's 2 per cent growth rate in consumption.

The decline has left the 12-year-old organisation with little basis on which it can hope to achieve a fundamental objective "to secure for member countries fair and reasonable returns from the exploitation, processing and marketing of bauxite and its products."

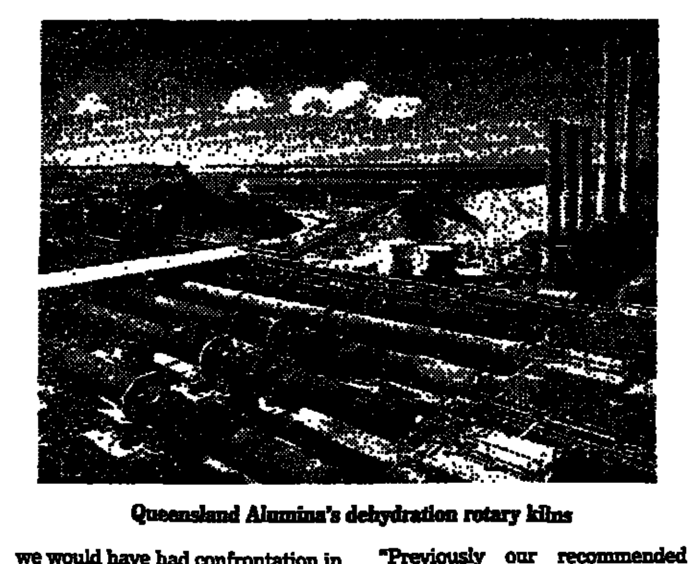
Mr Henry Bovell, secretary-general of the IBA, says: "The outlook for growth this year is better than last year. We are hoping also that, if developing countries increase their consumption of aluminium, this would give an added filip to bauxite production."

It appears, however, that there is little the producers organisation can actively do to improve the lot of its 10 members – Australia, Ghana, Guinea, Guyana, India, Indonesia, Jamaica, Sierra Leone, Surinam and Yugoslavia – which last year produced 73 per cent of the world's bauxite and 42 per cent of its alumina.

Mr Bovell says the organisation is "in good health." The IBA was born amid fears that it was intended as an Opec-type cartel.

"We long ago stopped being concerned about the intentions of the IBA," said a spokesman for a leading US aluminium producer.

"There was initial concern that we would have had confrontation in the industry from the organisation, but clearly it has neither the will nor the ability to try any price-fixing or control over production."



Queensland Alumina's dehydration rotary kilns

Spokesmen for the IBA say it was never intended that the body would attempt any form of cartelisation and that consequently it cannot be fairly accused of having failed in its efforts.

Each year the association attempts to guide its members in assessing the strength of the market by recommending prices at which they should sell bauxite and alumina.

The current recommended minimum CIF price per tonne of bauxite, for example, is between 2.5 per cent and 3.5 per cent of the IBA's composite reference price per tonne of aluminium ingot. The recommended minimum for alumina is between 14 per cent and 18 per cent of the composite reference price per tonne of aluminium ingot.

"Previously our recommended prices were indexed to a formula guided by 50 per cent of the short-term price and 50 per cent the long-term price for aluminium," explained Mr Alfred Francis, a director of the IBA.

"In seeking a more realistic pricing formula, we are now using a composite reference price made up of two elements – the prices on markets in key areas such as North America, Europe and Asia, and a weighted average of short, medium and long-term prices, using published price indicators. This is more indicative of what is really happening in the market."

The minimum prices are recommendations, Mr Bovell explains, and are not binding on any member. He adds, however, that members commit themselves to the prices and respect the association's figures.

"There are, of course, situations in which members find themselves in a crisis and do not comply with the recommended prices. But not all members submit their prices to us as we are not a cartel."

The IBA's members do indeed have great leverage in what they do with their industries, without resort to what the other members think.

Surinam last year dismantled its production levy on the two companies operating in the country, in exchange for an undertaking by the companies to invest about $160m in the industry over the next five years.

This has increased pressure on Jamaica, which has been holding out against repeated requests from the aluminium majors for a dismantling of its production levy system. But Mr Carlton Davis, executive director of the Jamaica Bauxite Institute, a state agency which monitors the industry, said Jamaica would not be following Surinam.

Inevitably, however, Jamaica is under some pressure, and industry sources report that the Government is working towards a new tax structure to cut the payments under the levy by a half and seek to have an income tax component which would maintain the Government's revenues.

In cases such as these, the IBAs role is limited to that of an observer or, at best, an adviser. The association believes, however, that it can be strengthened by an increase in its membership. Having lost the Dominican Republic and Haiti, two founder members whose industries have died, Brazil is being courted.

"The IBA is interested in having Brazil as a member, but it is up to the Brazilians to let us know their position," says Mr Bovell. "Brazil's membership would be significant for the association as it is the only major producer outside the IBA.

Competitors eye Israel's avocado bonanza

BY ANDREW WHITLEY IN TEL AVIV

EXPORTS of Israeli avocados, nearly all destined for the European Community, are forecast to reach a record this year of almost 100,000 tonnes, double the 1985-86 figure.

With continuing heavy promotional spending in France and West Germany, the countries which have seen the biggest growths in volume, Israeli officials hope to maintain their current 90 per cent domination of the West European winter market for avocados.

But a potentially trouble-some challenge to Israel's newly won pre-eminence in this high-value fruit is already in sight from the French Caribbean island of Martinique and the Spanish Canary Islands — aided by Spain's recent entry into the Community. Spanish exports are put at 14,000 tonnes this year.

Ironically, many Israeli's are said to have lent their expertise to help these emerging competitors. To stay ahead, Israeli growers are having to concentrate on higher production per acre.

With just a few weeks to go to the end of the season in April, agriculture officials in Tel Aviv are confident that this year's prolific output will earn Israeli growers about US$100m. Advocados alone will account for over a quarter of all non-citrus agricultural experts, including cotton.

Not that the boom can be expected to be maintained in the coming season. It is a peculiarity of the Avocado tree that a heavy season is usually followed by a leaner one. The current year, it was long anticipated, was sure to have been one of the most productive.

To avoid depressing European prices with this production glut, Agrexco, the Israeli state marketing organisation, says it tried to concentrate on developing new markets rather than flooding traditional outlets.

Despite this diversification effort, France alone consumed 70 per cent of Israel's avocado exports. The UK, West Germany (where consumption is said to have doubled over the past year) and Scandinavia were, in that order, the other most important customers.

LONDON MARKETS

TIGHTENING supplies of lead, particularly for May delivery, boosted London Metal Exchange prices of the metal yesterday. As might have been expected the effect was most marked in the cash position, which gained £15 to close at £308.50 a tonne—widening to £8 the premium over the three months position, which ended only £7.75 higher at £300.50 a tonne. Copper was also firmer with the cash position regaining £7.50 of Monday's £18 fall to close at £903 a tonne. Dealers attributed the rise to shortcovering, which appeared to be triggered by increased borrowing (buying cash and selling forward). And this was reflected in the fact that the three months position rose by a much more modest £2 to £908.75 a tonne. Among the soft commodities, while coffee's dramatic fall stole the limelight, the cocoa market extended its recent decline, taking nearby positions to fresh nine-month lows. The May quotation ended the day £13 down at £1,313.50 a tonne.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	874-6	+1	—
3 months	853-4	+2	856.5/840

Official closing (am): Cash 873-4 (879-80), three months 849-50 (857-8), settlement 874 (880). Final Kerb close: 856-7. Turnover: 10,200 tonnes.

INDICES

REUTERS

Mar. 3	Feb. 27	M'th ago	Year ago
1586.5	1585.5	1599.0	1808.2

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	Mar. 2	Feb. 27	M'th ago	Year ago
Spot	115.03	114.95	—	127.73
Fut	115.98	115.77	—	131.57

(Base: December 31 1931 = 100)

MAIN PRICE CHANGES

	Mar. 3 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1440/460	+10	$1325/345
Copper			
Cash Grade A	£903	+7.5	£877.5
3 mths	£908.75	+2	£900.25
Gold Troy oz	$404.25	—0.75	$401.25
Lead Cash	£308.5	+15	£294.5
3 mths	£300.5	+7.5	£296.75
Nickel			
Free Mkt	179/196c	—2	164/184c
Palladium oz	$117.25	—0.1	$125.00
Platinum oz	$520.75	—7	$519.00
Quicksilver†	$200/210	+10	$168/175
Silver troy oz	348.55p	—0.10	356.75p
3 mths	357.45p	—8.35	368.20p
Tin			
free Mkt	£4285/320	—30	£4470/500
Tungsten	$44.51		$43.18
Wolfram 22.0lb	$40/48		$37/45
Zinc	£470.5	—1	£471.5
3 mths	£465.5	—5.25	£472.25
producers	$770/790		$770/790
OILS			
Coconut (Phil)	$380x		$440
Palm Malayan	$310v	—10	$390
Seeds			
Copra (Phil)	$260		$290
Soyabean (U.S.)	$137.5	+0.5	$144
GRAINS			
Barley Fut. May	£115.60	—0.45	£114.85
Maize	£145.00		£143.50
Wheat Fut. May	£118.50	—0.30	£118.00
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. May	£1313.5	—13	£1350.5
Coffee Ft. May	£1315	—186	£1617.5
Cotton A Ind.*	64.70c	+0.2	65.15c
Gas Oil Apr.	$133.75	+8.25	$154.25
Rubber (kilo)	60.25p	—0.25	66p
Sugar (raw)	$203z	+11.5	$179.5
Wooltops 64s	425p kilo	+1	411p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. y Feb-March. v April. z March-April. x April-May.

COFFEE

The market collapsed as ICO negotiations closed without an agreement, reports Drexel Burnham Lambert. The first trade was £148 lower as panic liquidation hit prices. Continuous commission house selling pushed levels down a further £80 before trade

US MARKETS

CRUDE OIL futures continued their short-covering rally, reports Drexell Burnham Lambert. Trade buying touched oe light commission house stops to push crude oil higher in the face of scale-up trade selling. The metals were generally quiet, restricted again to narrow ranges. Gold was dominated by local trading, whilst in silver futures trade buying featured, but only in response rally. In platnium expecta- to platinum's short-covering tions of overhead resistance prevented any significant rise. Coffee futures continued the dramatic decline following the breakdown of the ICO talks on Monday night. Heavy long liquidation and fresh selling saw the back months move immediately to limit-down, while limit-free near months fell over 15c. Strong trade selling and producer price-fixing kept sugar futures on the defensive throughout the day. Cocoa futures continued to fall on long-liquidation and light commission house stops, despite minor industry scale-down buying.

Wheat and maize futures disappointment that neither China nor the Soviet Union had made any nwe purchases. In addition, a report from Washington suggesting that there would be no change in policy on rollovers on loans added to the sentiment.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
March	58.20	58.20	58.00	58.00
May	59.00	58.00	59.20	58.55
July	58.90	58.85	—	—
Sept	57.80	57.60	57.60	57.60
March	57.60	57.60	—	—
May	57.60	57.60	—	—
July	57.60	57.60	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
March	1838	1854	1850	1841
May	1873	1895	1890	1866
July	1895	1911	1912	1890
Sept	1925	1935	1938	1918
Dec	1948	1960	1960	1946
March	1981	1993	1993	1990
May	2006	2018	—	—

COFFEE "C" 37,500 lb, cents/lb

	Close	Prev	High	Low
March	105.80	122.00	110.75	105.80
May	108.03	123.58	112.40	107.10

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling pauses for breath

STERLING FINISHED below its best level after suggestions that the Bank of England had been selling small quantities of sterling during the morning and buying D-Marks. This was hard to prove, since the Bank of England declined to comment but small sterling sales would have helped to dampen enthusiasm about interest rates cuts and also boost foreign exchange reserves. In addition the market was aware that Mr Nigel Lawson, UK Chancellor of the Exchequer had set a ceiling for sterling in order to preserve the competitive edge created by its decline over the last year.

Initially optimism over the possibility of a sharp cut in personal taxation together with a reduction in the public sector borrowing requirement had tended to boost demand for the pound as foreign investors bought Government bonds and equities. The pound opened with an exchange rate index of 70.9, up from 70.7 last night but with rumours highlighted about central bank intervention and sterling looking a little toppish after a sharper than expected improvement just recently, so selling developed to push the closing calculation down to 70.6. Against the dollar it finished at $1.5600 compared with $1.5640 and DM 2.8600 from DM 2.8650. Against the yen it eased to Y239.75 from Y240.0 and SFr 2.4075 from SFr .41. It was also lower against the French franc at FFr 9.5200 from FFr 9.5325.

The dollar was confined to a very narrow range but finished slightly firmer on the day. Sentiment remained bearish but there was little incentive to run short positions and invite central bank intervention, and speculators lacked any real incentive to push the dollar weaker. Yesterday's US economic statistics were worse than expected but failed to provide adequate stimulus. Leading economic indicators in January fell by 1 per cent after rising 2.3 per cent in December while new home sales fell by 6.8 per cent compared with a rise in December of 12.1 per cent. The dollar closed at DM 1.8335 from DM 1.8320 and Y153.65 compared with Y153.45. Against the Swiss franc it closed at SFr 1.5440 from SFr 1.5415 and FFr 6.1025 from FFr 6.0950. On Bank of England figures, the dollar's exchange rate index rose from 103.8 to 104.0.

D-MARK—Trading range against the dollar in 1986-87 is 2.4710 to 1.7870. February average 1.8234. Exchange rate index 147.7 against 140.6 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed at DM 1.8340 compared with DM 1.8264 on Monday. Trading levels were restricted to some extent by local holidays in some parts of West Germany. Dealers remained bearish about the US economy but were reluctant to run short positions because of the threat of central bank intervention after the Paris accord where the G6 nations agreed to support the dollar.

JAPANESE YEN—Trading range against the dollar in 1986-87 is 202.70 to 151.30. February average 153.36. Exchange rate index 209.0 against 216.1 six months ago.

Trading was quiet and featureless in Tokyo. Dealers were reluctant to test central banks' resolve to support the dollar and many traders were now suggesting a period of dollar stability. The US unit closed at Y153.60 compared with Y153.70 in New York and Y153.40 in Tokyo on Monday. US statistics due for release after the close of Tokyo markets were not expected to provide much impetus for the US unit.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.8630	+0.95	+0.95	± 1.5344
Danish Krone	7.85212	7.79122	−0.78	−0.78	± 1.6404
German D-Mark	2.05853	2.07050	+0.58	+0.58	± 1.0981
French Franc	6.90403	6.88940	−0.21	−0.21	± 1.3674
Dutch Guilder	2.31943	2.33770	+0.79	+0.79	± 1.5012
Irish Punt	0.768411	0.776382	+1.04	+1.04	± 1.6684
Italian Lira	1483.58	1472.87	−0.72	−0.72	± 4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Mar 3	Latest	Previous Close
£ Spot	1.5600-1.5610	1.5650-1.5660
1 month	0.65-0.62 pm	0.65-0.64 pm
3 months	1.60-1.55 pm	1.60-1.57 pm
12 months	5.15-5.05 pm	5.15-5.05 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Mar. 3	Previous
8.30 am	70.9	70.2
9.00 am	70.9	70.3
10.00 am	70.7	70.3
11.00 am	70.7	70.4
Noon	70.7	70.3
1.00 pm	70.7	70.3
2.00 pm	70.7	70.3
3.00 pm	70.6	70.3
4.00 pm	70.6	70.7

POUND SPOT—FORWARD AGAINST THE POUND

Mar. 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5570-1.5685	1.5595-1.5605	0.65-0.62 c pm	4.88	1.60-1.55 pm	4.04
Canada	2.0795-2.0876	2.0795-2.0805	0.72-0.60 c pm	3.81	1.63-1.44 pm	2.95
Neth'lands	3.22¼-3.25	3.22½-3.23½	1⅝-1½ c pm	5.80	4⅛-3¾ pm	4.88
Belgium	59.14-59.53	59.15-59.25	21-15 c pm	3.65	44-38 pm	2.77
Denmark	10.76¼-10.79¼	10.76¼-10.77¼	⅛-1¼ ore dis	−0.77	2¼-3⅝ dis	−1.09
Ireland	1.0700-1.0815	1.0740-1.0750	0.25-0.40 p dis	−3.63	0.80-1.10 dis	−3.54
W. Germany	2.85¼-2.87¼	2.85½-2.86½	1⅞-1⅝ pf pm	7.34	4⅝-4⅜ pm	6.29
Portugal	220.51-222.23	220.95-221.90	60-150 c dis	−5.69	280-415 dis	−6.28
Spain	200.99-202.43	201.50-201.80	35-65 c dis	−2.98	130-180 dis	−3.07
Italy	2029½-2045¼	2032-2033	6-Par lire pm	1.77	10pm-1 dis	0.89
Norway	10.86¼-10.94	10.86½-10.87½	3-4 ore dis	−3.86	11⅛-12⅝ dis	−4.42
France	9.50¼-9.57¼	9.51½-9.52½	2½-2 c pm	2.84	5-4¼ dis	−1.94
Sweden	10.05¾-10.12½	10.05¾-10.06¾	⅛-1 ore dis	−0.82	1½-2⅜ dis	−0.77
Japan	239¾-240½	239¾-240¾	1½-1¼ y pm	6.88	3¼-3½pm	6.05
Austria	20.11-20.24	20.15-20.18	12¼-10⅞gro pm	6.88	29⅛-26¼ pm	5.54
Switzerland	2.40¼-2.42	2.40¼-2.41¼	1⅝-1⅜ c pm	7.48	4-3¾ pm	6.44

Belgian rate is for convertible francs. Financial franc 59.70-59.80. Six-month forward dollar 2.85-2.80 c pm 12-month 5.22-5.12 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Mar. 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5570-1.5685	1.5595-1.5605	0.65-0.62c pm	4.88	1.60-1.55pm	4.04
Ireland†	1.4475-1.4580	1.4535-1.4545	1.03-0.98c pm	8.29	2.89-2.75 pm	7.76
Canada	1.3317-1.3336	1.3325-1.3335	0.10-0.14c dis	−1.08	0.33-0.40 dis	−1.10
Netherlands	2.0635-2.0645	2.0695-2.0705	0.16-0.14c pm	0.87	0.50-0.45 pm	0.92
Belgium	37.87-38.03	37.90-38.00	3-5c dis	−1.26	10½-13 dis	−1.24
Denmark	6.88¼-6.92¼	6.90-6.90½	2.65-3.35ore dis	−5.22	8.50-9.20 dis	−5.13
W. Germany	1.8275-1.8385	1.8330-1.8340	0.38-0.35pf pm	2.39	1.07-1.02 pm	2.28
Portugal	141¼-141¾	141½-141¾	100-150c dis	−10.58	325-400 dis	−10.23
[illegible]	[illegible]	[illegible]	[illegible]	−7.44	220-240 dis	−7.13

CURRENCY RATES

Mar. 3	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.809113	0.723712
U.S. Dollar	5.5	1.26343	1.13080
Canadian $	8.20	*	1.50668
Austrian Sch.	4	16.2995	14.5749
Belgian Franc	8½	47.9630	42.8630
Danish Krone	7	8.71640	7.79122
Deutsche Mark	3.0	2.31713	2.07050
Neth. Guilder	4½	2.61530	2.33770
French Franc	9½	7.70945	6.88940
Italian Lira	12	1644.35(1)	1472.87
Japanese Yen	2½	194.189	173.634
Norway Krone	8	8.82759	7.88338
Spanish Peseta	—	163.046	145.647
Swedish Krona	7½	N/A	7.29966
Swiss Franc	3.5	1.94947	1.74313
Greek Drach.	20½	169.856	152.036
Irish Punt	—	0.867453(1)	0.776382

*C$/SDR rate for Mar. 2: 1.68471
(1) SDR rate for Mar 2.

CURRENCY MOVEMENTS

March 3	Bank of England Index	Morgan Guaranty Changes %
Sterling	70.6	−23.4
U.S. Dollar	104.0	−3.2
Canadian Dollar	78.3	−10.3
Austrian Schilling	138.5	+10.4
Belgian Franc	100.5	−4.0

FINANCIAL FUTURES

Gilts and bonds softer

TRADING WAS quiet on the London International Financial Futures Exchange yesterday. Long-term gilt futures for June deliverly opened unchanged at 119-29, but this was the lowest level of the day. The contract rose to a peak of 120-03, but was unable to sustain this level, following rumours the Bank of England had intervened on the foreign exchanges to sell the pound.

The early strength of the contract reflected further gains by sterling and a decline of interest rates on the cash money market. Later in the day suggestions the Bank of England was selling sterling offset this early improvement, triggering profit taking. The pound's exchange rate index, which touched 70.9 in the morning, ended at the day's low of 70.6, compared with 70.7 at Monday's close. Sterling also retreated from Monday's almost 4-year peak against the dollar.

June long term gilts fell back to close at 119-27, compared with the previous settlement of 119-29.

Total volume was fairy quiet at around 16,000 contracts.

Dollar denominated interest rate contracts were also quiet, and slightly weaker on the day.

June delivery US Treasury bond futures opened at 100-18, and fell in the afternoon. A larger than expected fall of 1 per cent in January US leading indicators provided brief support, before the market turned lower.

Chicago prices continued the softer trend, encouraged by higher oil prices, and a firm Federal funds rate.

June Treasury bonds rose to a high of 100-23 on Liffe, and touched a low of 100-08, before closing at 100-12, against 100-22 on Monday.

Dealers said underlying sentiment remained strong, in spite of the quiet tone.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
112	8.02	8.28	0.12	0.50
114	6.14	6.56	0.24	1.14
116	4.38	5.30	0.48	1.52
118	3.14	4.16	1.24	2.38
120	2.10	3.14	2.20	3.36
122	1.21	2.24	3.31	4.46
124	0.48	1.45	4.58	6.03
126	0.28	1.12	6.38	7.34

Estimated volume total, Calls 1,484 Puts 1,205
Previous day's open int: Calls 12,654 Puts 6,140

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
92	8.26	7.45	0.02	0.25
94	6.32	6.02	0.08	0.46
96	4.45	4.36	0.21	1.16
98	3.10	3.20	0.50	2.00
100	1.51	2.19	1.27	2.63
102	0.62	1.33	2.38	4.13
104	0.29	0.62	4.05	5.42
106	0.12	0.37	5.52	7.17

Estimated volume total, Calls 10 Puts 10
Previous day's open int: Calls 215 Puts 211

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last April	Calls—Last May	Puts—Last April	Puts—Last May
19000	10.67	14.69	0.57	1.09
19250	8.59	12.67	0.99	1.57
19500	6.71	10.78	1.61	2.18
19750	5.07	9.05	2.47	2.95
20000	3.70	7.48	3.60	3.88
20250	2.60	6.10	5.00	5.00
20500	1.75	4.89	6.65	6.29
20750	1.13	3.86	8.53	7.76

Estimated volume total, Calls 18, Puts 10
Previous day's open int, Calls 587 Puts 556

CHICAGO

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Mar.	94.48	94.49	94.45	94.48
June	94.56	94.59	94.55	94.57
Sept.	94.59	94.62	94.58	94.60
Dec.	94.53	94.55	94.52	94.54

SWISS FRANC (IMM)
SFr125,000 $ per SFr

	Latest	High	Low	Prev.
Mar.	0.6485	0.6510	0.6479	0.6474
June	0.6525	0.6550	0.6518	0.6516
Sept.	0.6560	0.6582	0.6560	0.6560

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
June	93.69	93.73	93.67	93.70
Sept.	93.67	93.70	93.66	93.68
Dec.	93.58	93.61	93.57	93.58
Mar.	93.43	93.45	93.42	93.44
June	93.25	93.26	93.24	93.25
Sept.	93.03	93.03	93.01	93.03
Dec.	92.81	92.81	92.79	92.81

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Mar.	283.75	283.95	282.80	283.60
June	285.40	285.60	284.50	285.20
Sept.	286.60	287.20	285.50	286.55
Dec.	287.90	288.20	287.40	287.85

MONEY MARKETS

Rates continue to fall in London

INTEREST RATES maintained an easier tone on the London money market yesterday. Three-month interbank was quoted at 10$\frac{3}{16}$-10$\frac{7}{16}$ per cent, compared with 10$\frac{11}{16}$-10$\frac{9}{16}$ per cent, with rates declining, as the pound held firm on the foreign exchanges.

The Bank of England initially forecast a money market shortage of £350m, but revised this to £500m at noon, and to £450m in the afternoon.

Total help of £461m was provided by the authorities. Before lunch the Bank of England bought £24m bank bills outright, including £2m bank bills in band 1 at 10⅞ per cent, and £22m bank bills in band 2 at 10$\frac{13}{16}$ per cent.

In the afternoon the authorities purchased £437m bills outright, through £120m bank bills in band 1 at 10⅞ per cent; £2m Treasury bills in band 2 at 10$\frac{13}{16}$ per cent, and £315m bank bills in band 2 at 10$\frac{13}{16}$ per cent.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £535m, with bank balances below target absorbing £175m. These outweighed Exchequer transactions adding £300m to liquidity, and a fall in the note circulation of £40m.

In Frankfurt call money was unchanged at 3.90 per cent, in quiet trading because of Carnival celebrations in West Germany at the beginning of this week. Banks will bid for funds at today's securities repurchase agreement tender at the central bank. An earlier agreement of DM 16bn expires this week, and there was some uncertainty whether the Bundesbank will fully replace this money.

Because of disruption caused by the Carnival celebrations banks are finding it difficult to assess their needs at the tender. The Bundesbank may therefore cut down the allocation at this week's tender and top it up if necessary next week.

At that time DM 8.5bn will be withdrawn from the banking system, as a securities repurchase pact matures. Credit conditions are also expected to be hit later this months by tax payments by banks' customers.

In Zurich the four major Swiss banks increased customer time deposit rates by ¼ per cent in maturities from three to eight months, to a level of 3¼ per cent. Rates were cut by the same amount a month ago. The rate for 9-month to 12-month deposits remains at 3¼ per cent.

UK clearing bank base lending rate 11 per cent since October 15

BASE LENDING RATES

	%		%		%
ABN Bank	11	Citibank NA	11	Mnt Credit Corp. Ltd.	11
Adam & Company	11	Citibank Savings	¶12.45	Nat Bk of Kuwait	11
Allied Arab Bk Ltd	11	City Merchants Bank	11	National Girobank	11
Allied Dunbar & Co	11	Clydesdale Bank	11	Nat Westminster	11
Allied Irish Bank	11	Comm. Bk. N. East	11	Northern Bank Ltd.	11
American Exp. Bk.	11	Consolidated Cred.	11	Norwich Gen. Trust	11
Amro Bank	11	Co-operative Bank	*11	PK Finans. Intl (UK)	11½
Henry Ansbacher	11	Cyprus Popular Bk	11	Provincial Trust Ltd.	12
ANZ Banking Group	11	Duncan Lawrie	11	R. Raphael & Sons	11
Associates Cap Corp.	11	E. T. Trust	12	Roxburghe G'rantee	11½
Authority & Co Ltd.	11½	Equator'l Tst C'p plc	11	Royal Bk of Scotland	11
Banco de Bilbao	11	Exeter Trust Ltd.	11½	Royal Trust Bank	11
Bank Hapoalim	11	Financial & Gen. Sec.	11	Standard Chartered	11
Bank Leumi (UK)	11	First Nat. Fin. Corp.	11½	Trustee Savings Bak	11
Bank Credit & Comm.	11	First Nat. Sec. Ltd	11½	UDT Mortgage Exp.	¶12.25
Bank of Cyprus	11	● Robert Fleming & Co	11	United Bk of Kuwait	11
Bank of Ireland	11	Robert Fraser & Ptrs	12	United Mizrahi Bank	11
Bank of India	11	Grindlays Bank	‡11	Westpac B'nking Corp	11
Bank of Scotland	11	● Guinness Mahon	11	Whiteaway Laidlaw	11½
Banque Belge Ltd	11	HFC Trust & Savings	11	Yorkshire Bank	11
Barclays Bank	11	● Hambro Bank	11		
Benchmark Tst Ltd	11	Heritable & Gen. Tst.	11		
Beneficial Trust Ltd	12	● Hill Samuel	§11		
Berliner Bank AG	11	C. Hoare & Co	11		
Brit. Bk. of Mid. East	11	Hongkong & Shangh'	11		
● Brown Shipley	11	Lloyds Bank	11		
CL Bank Nederland	11	Mase Westpac Ltd.	11		
Canada Permanent	11	Meghraj & Sons Ltd.	11		
Cayzer Ltd	11	Midland Bank	11		
● Charterhouse Bank	11	● Morgan Grenfell	11		

● Members of the Accepting Houses Committee. * 7-day deposits 6.69%. 1-month 7.03%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¾% gross. ¶ Mortgage base rate. § Demand deposit 6.69%. Mortgage 12¼%.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

For Celtic Haven see West Industries

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INDUSTRIALS—Continued

1986/87 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
339	210	Morgan Crucible	326	−2	†8.5	1.5	3.7	21.7
24	15½	♦Morris (W) F.A. 20p	22½	−½	—	—	—	—
194	65	Myson Grp 10p	194	+2	†2.63	2.6	1.9	25.0
369	213	♦NMW Computers	300	....	†6.0	3.0	2.8	17.3
225	27	Nash Inds.	195	−12	1.5	2.6	1.1	49.4
*27½	12½	Neil & Spencer 10p	18½	....	—	—	—	—
47	28	Newman Inds 10p	44	−1	†0.8	1.5	2.6	(31.6)
134	65	Noble & Lund 10p	90	−2	0.7	4.3	1.1	29.6
163	151	Nobo Group 10p	163	+4	R4.75	2.8	4.1	12.4
65	39	Nolton	50	+1	1.2	2.9	3.4	14.3
166	96	♦Norank Systems 5p	158	+1	≡1.5	—	1.3	20.3
351	127	Norcros	325	−3	†9.3	2.3	4.0	14.9
284	49	Nu-Swift 5p	284	+3	†3.5	2.1	1.7	36.2
£356½	£228	OCE 9pc Cov 1987-92	£257½	....	Q9%	—	(3.5	—
143	80	Oakwood Grp.	141	−2	4.0	0.6	4.0	54.2
250	173	Office & Elect	208	−1	8.5	2.9	5.9	8.3
45	26	♦Omnitech 1p	44	....	—	—	—	—
36	18	♦Optometrics $0.01	21	−2	—	—	—	—
890	500	Oriflame £1	860	....	t28.5	2.1	4.7	16.7
10	5	Overstone 12½c	7½	+2½	φ03.23c	1.9	13.4	3.9
150	85	♦PCT Grp 10p	150	....	d3.2	—	4.4	—
£22¼	£13¾	PLM 'B' Sk 25	£21¾	+¼	Q24%	♦	2.9	♦
255	160	♦Pacer Systems $0.01	179	....	Ld0.84c	4.3	1.4	16.6
242	97	Pacific Dunlop $0.5	224	−4	≡Q11.36c	2.1	2.2	22.5
78	44	♦Pacific Sales 10p	68	....	3.0	1.4	6.2	16.2
542	246	Parker Knoll 'A'	538	....	12.0	3.2	3.1	14.1
260	83	♦Parkfield Group 2p	256	−5	†3.6	4.2	2.0	16.2
53	17	♦Paxton Intl.	29	−2	—	—	—	7.7
£130	£64½	Do 11pc CvLn '94-02	£95½	....	Q11%	—	(32.2	—
617	393	Pearson	567	−1	†10.0	2.8	2.5	18.1
74½	12	Peck Holdings 3p	72	....	—	—	—	—
176	88	Peerless	175a	....	†6.3	2.0	5.1	(11.5)
625	141½	Pentland 10p	623	+5	†t0.75	22.8	0.2	35.3

LEISURE—Continued

1986/87 High	Low	Stock	Price	+ or −	Div Net	C'vr
93½	32	Leisure Inv 10p	93	+1½	0.36	7.4
*112	55	Leisuretime Int 10p	88	+1	†2.3	0.9
123	91	♦Lewmar	105	....	≡2.63	3.4
126	71	♦Marina Dev. 50p	125	....	♦R3.13	3.0
196	143	Mecca Leisure 10p	187	....	14.1	1.8
220	86	♦Media Tech Int 20p	133xd	....	2.8	4.5
*215	130	Meadminster 10p	198	−8	6.25	1.9
232	114	Mictgruner Less 50p	225	+5	4.0	3.9
220	130	♦Miss World 10p	202	+5	6.0	♦
90	62	Nationwide Leisure	76	....	♦	—
17	8	♦Nimslo Int 20c	10	+1	—	—
94	23	Ominicorp Inv. NZ$0.5	56	....	Q0.5c	8.0
294	114	Orient Ex Hlls $0.125	176	+7	—	—
57½	23	♦Owners Abroad 3p	57½	+2	1.5	2.3
175	46	Photax (Lon.)	175	....	—	—
73	25½	♦Pineapple Radio NV 5p	63xd	....	2.0	1.4
95	25½	♦Pineapple 10p	88xr	+2	—	—
391	280	Pleasurama 5p	358	−2	†7.5	3.6
178	136	Do. 7pcCvCnvRedPf	162xd	−1	7%	—
157	94	Prestwich	139	−3	0.85	6.9
93	18	♦Radio City 'A' NV	81	....	—	—
88	33	♦Radio Clyde N/V	68	....	3.5	1.6
476	322	Really Useful Grp 5p	476	+5	11.25	2.2
70½	36½	Riley Leisure 10p	63	−1	—	—
230	129	Saga Hols. 20p	164	....	4.6	2.6
355	148	Samuelson Grp 20p	185xd	−4	2.4	6.5
123	69	♦Sangers Photo 10p	101	....	♦†2.2	1.5
178	93	Scantro 20p	121xr	....	n4.0	3.5
446	175	Scott. TV 10p	440	....	†10.5	3.3
27	7	♦SelecTV 10p	17½	+1	—	—
37	19	♦Spectrum 5p	21	....	—	—
310	119	Stanley Leisure	308	+1	≡3.25	2.8
68	31	TSW 5p	66	....	2.05	2.6

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

PROPERTY

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Feb 9	Feb 19	Feb 20	Mar 2
Feb 23	Mar 5	Mar 6	Mar 16
Mar 9	Mar 19	Mar 20	Mar 30

* New time dealings may take place from 9.00 am two business days earlier.

Oil shares lead equity sector to new peaks in late trading but Gilts fail to make ground

Strong gains in oil shares set the pace for a renewed advance towards the close of the London stock market yesterday, which took major market indices to new peak levels. The FT-SE 100 index closed within two points of the 2,000 mark as investors continued to look for early cuts in UK tax and interest rates—despite the Bank of England's discouragement of base rate speculation.

By the close, the FT-SE 100 index was 15.2 points up at 1,998.3, after recovering an early fall of 15 points. The FT ordinary index, at 1,613.5, gained 9.0.

The blue chip exporting stocks benefited from a late dip in sterling which boiled over despite the firmer trend in oil prices.

US buying of oil stocks reflected both the improvement in crude prices and reports that Saudi Arabia is urging Opec members to hold the pricing line, and to eschew price discounting.

Shell, with results due tomorrow (Thursday), moved up after New York opened—some sources believed that a major US investment house is moving into the stock ahead of the trading figures. Also in strong demand was **British Petroleum**.

Among the exporting stocks, **Unilever Ltd** strengthened on the profit figures, although one London broker suggested switching from the Ltd into the Unilever NV shares.

Fisons, also reporting profits yesterday, was a weak feature. But **Imperial Chemical Industries** recouped an initial fall, and there were many firm spots among the international favourites.

Airbus orders from Japan and the US brought a sharp advance in **British Aerospace**. **Hanson Trust** was heavily bought from New York, and **Saatchi & Saatchi** responded vigorously to the prediction at the annual meeting of "another record year" ahead.

A firm banking sector was featured by **Midland Bank**, as investors took a chance on the possibility that today's (Wednesday) results may include a rights issue. **Commercial Union** and **General Accident**, also with results due, gave ground.

The Gilt-edged sector had a busy, if somewhat uncertain session, closing a shade easier after a spirited mid-session rally which put prices, briefly, ahead of overnight levels. Interest was mostly domestic, with overseas investors still waiting to see what the pound will do next.

Traders were cautious ahead of the first dealings this morning in the new £1bn 2002 tap stock. "It looks a bit dear" was one comment on the stock which will be sold at £20 partly-paid.

Midland shrugged aside fears that the bank would announce a £500m plus rights issue with today's annual results and closed 15 higher at 619p; the group, which concludes the dividend season, is exected to produce preliminary pre-tax profits of around £430m against £351m. Other clearers were undecided. **NatWest** edged forward 2 to 596p and **Barclays** hardened a few pence at 517p, but **Lloyds** hardened a penny to 490p. Among Hire Purchases, **Provident Financial** gained 7 at 340p following the results.

Commercial Union succumbed to nervous selling ahead of today's preliminary figures and closed 4 cheaper at 340p; analysts' forecast a strong profits recovery to £105m-£110m pre-tax against the loss of £58.8m sustained by the company in 1985. **General Accident**, however, also scheduled to report annual results today, gained ¼ to £10⅝. Elsewhere, **Sun Life** continued to reflect vague rumours of a possible bid from the TSB with a rise of 7 to 995p.

Construction industry consultants **Barbour Index** made a successful market debut, the shares opening around the 270p level and moving ahead to 305p which compares with a placing price of 215p. Cleaning services group **RCO Holdings** closed at 98p compared with a placing price of 95p.

Breweries followed the general trend. **Bass**, down to 906p initially, rallied to settle with a rise of 11 on the day at 923p, while **Whitbread 'A'** ended 5 better at 325p. **Guinness**, in contrast, drifted back 2p more to 326p, after the recent show of strength on persistent stakebuilding rumours.

Leading Buildings recovered from a cautious opening to close little changed on balance. **BMC**, digesting the latest worldwide acquisitions, rose 9 to 796p on institutional buying, while **Barratt Developments**, interim results due soon, firmed 4 to 180p. Secondary issues attracted selective buying interest with **Condor** 2 dearer at 178p and **Aberdeen Construction** 10 up at 235p **Helical Bar** rose 11 more to 533p, while **Federated Housing** gained 18 to 208p ahead of next Tuesday's annual results. Press comment helped **Marshalls (Halifax)** rise 5 to 231p, but profit-taking in the wake of the preliminary figures left **Johnstones Paints** 28 lower at 150p. **Countryside** were favoured at 561p, up 10 and **Henderson Group** firmed 5 to 233p.

The Chemical sector featured **Blagden Industries** which advanced 18 to 170p in reply to the better-than-expected annual results.

Leading retailers moved sharply higher after-hours' to close at their best levels of the day. Budget tax-cut hopes and lower interest rate expectations continued to provide the impetus and **Marks and Spencer** closed 9 higher at 223p and **Harris Queensway** 9 dearer at 211p. **Storehouse** firmed 8 to 295p and **Next** added 6 at 296p; the latter's interim results are scheduled for March 12. Perennial takeover favourite **Sears** advanced 6 to 144½p. Elsewhere, **Underwoods** dropped 23 to 218p, after 217p, on the vague announcement that it has not currently been possible to agree a basis for a recommended offer by Woolworths for Underwoods, but talks between the two groups are continuing. **S. Casket** reflected disappointment with the interim figures and closed 5 off at 134p, while **Combined English**, at 285p, succumbed to profit-taking and lost 8 of the recent sharp rise which has reflected hopes of a bid from Ratners. **Alfred Preedy**, however, rose 4 to 162p and **Tip Top** added 7 at 173p.

STC reported annual pre-tax profits some £4m above most recent optimistic forecasts and closed 35 higher at 277p. **Thorn EMI** reflected Budget tax-cut hopes with a gain of 22 at 641p and **British Telecom** improved 7 at 254p. **Cable and Wireless**, meanwhile, reflected adverse comment and dropped 11 to 361p and **BICC** gave up 5 at 331p; the latter's results are due on March 25. Elsewhere in Electricals, **Crystalate** jumped 15 to 291p on revived speculative buying and **Micro Focus** added 15 at 120p. **Microvitec**, however, fell 4½ to 31½p following details of the static annual earnings and falls of around 6 were seen in **Apricot Computers**, 62p, and **CPU Computers**, 55½p.

Among Engineering, **Mitchell Somers** made a smart turnround, closing 30 higher at 180p on news of the agreed offer from Eagle Trust. **Birmid-Qualcast**, in contrast fell 9 to 244p following the sale of 3.5m shares in the company by Hepworth Ceramic in response to a ruling by the takeover panel. This reduces Hepworth's hoding in BQ to 4.9 per cent. Press comment enlivened interest in **James Neill**, 10 to the good at 243p, while **TI**, preliminary figures due tomorrow, advanced 10 to 649p. **Senior Engineering** responded to acquisition news with a gain of 4 at 67p, but **Camford**, a rising market of late on takeover hopes, encountered profit-taking and fell 6 to 147p. Nervous selling ahead of the annual results expected tomorrow left **Fife Indmar** 20 down at 73p.

Foods attracted selective support. Recently-overlooked **Argyl** improved 6 to 393p, while old takeover favourite **Bejam** gained 5 to 191p. **Dee Coreration**, on the other hand, drifted off to close 2 cheaper at 253p, but **Tesco** attracted late support and closed 3 dearer at 480p. Elsewhere, **Hillsdown** moved up 5 more to 298p ahead of te annual results expected shortly, while **Fitch Lovell** gained 8 to 293p following a burst of buying interest. **Ranks Hovis McDougall**, currenty bidding for Avana, firmed 3 to 317p.

Pharmaceutical shares, down initially, staged a gradual recovery movement to settle with little alteration on the day. **Glaxo** ended at £15¾ after easing to around £15½ at one stage, while **Beecham** finished a shade **Fisons**, however, encountered profit-taking after the preliminary figures and gave up 16 to 626p, while **Wellcome** came under fresh selling pressure at 22 to 440p. Elsewhere, the preliminary figures and proposed share sub-division from **Unilever**, up 1⅛ at £26⅝ were well received. **BTR**, scheduled to reveal annual results next Wednesday, edged up 4 more to 337p. **British Aerospace** featured a rise of 32 at 685p on news of the contract for 10 A320-200 aircraft from All Nippon Airways and the order from American Airlines, while favourable comment on the proposed Wallco acquisition prompted a fresh gain of 17 to 331p in **Coloroll**. **London and Northern** eased a penny to 79p following confirmation that Evered had acquired a near 15 per cent stake in the company, but good preliminary figures left **Tribble Harris** 9 dearer at 154p. **Hawley Group**, awaiting the annual results, improved 8 to 148p, while the recovery in the half-year profits prompted a gain of 15 to 245p in **Wm Sinclair**. Profit-taking clipped 6 from **Metal Closures** at 225p. **Southern Business Group** eased a couple of pence to 228p following the proposal to raise approximately £8.0m via a placing of some 3.9m shares at 215p per share.

Jaguar slipped to 614p prior to closing 10 lower at 615p ahead of tomorrow's annual results. **Lex Service**, preliminary figures due on the same day, were unchanged at 339p.

News International, still reflecting recent press comment, advaned ¼ to £26⅞. Elsewhere among Paper/Printings, **Delyn Packaging** gained 10 to 315p on further consideration of the board reorganisation and **John Waddington** added 5 at 253p. **Saatchi** jumped 22 to 890p in response to the chairman's bullish statement at the annual general meeting.

Marler Estates, unsettled by talk that the company will not get residential planning permission for Craven Cottage, Fulham FC's football ground, dipped 100 to 900p. Elsewhere in the Property sector, **Rosehaugh** shed 25 to 705p, after 700p following details of the agreed offer worth some £90m for General Funds Investment Trust. **Estate Property Investment** gained 18 to 192p on news that London Securities had increased its stake to 11.8 per cent, while **Frogmore Estates** firmed 4 to 240p in reply to the good interim results. On the other hand, **Dares Estates** shed 3 to 28p following profit-taking in the wake of the annual results. Dealings in **Alfred Walker** were suspended at 185p, up 12, at the company's request; discussions are taking place regarding possible acquisitions.

Tiphook responded afresh to press mention with a further rise of 30 at 365p in the Shipping sector.

Lister moved up 10 more to 197p in Textiles on hopes of early news of a property sale in Oxford Street. **John Crowther** softened a penny to 199p following the annual results.

Trusts were noteworthy for a gain of 16 to 242p in **General Funds Investment** and a rise of 19 to 265p in the Convertible shares following news of the recommended offer from Rosehaugh.

A sharp recovery by crude oil prices prompted sustained UK and American buying of oil shares which rose strongly after an uncertain opening.

Press comment and expectations of a much increased demand from the US following the expiry of the American 90-day rule boosted **British Gas** 3 to a record 82½p after a turnover of 36m shares.

BP jumped 17 to 775p and **Shell** ⅛ to £10¾—the latter in front of tomorrow's fourth quarter figures—while **Britoil**, due to announce preliminary results on March 19, put on 9 to 183p. **Enterprise Oil** were a similar amount up at 204p and **LASMO** 7 firmer at 190p. **Tricentrol** added 6 at 85p. **Ultramar**, following the disposal of its UK marketing operations for around £50m, surged 16 to 182p.

Rumours that a stake-building operation is taking place boosted **Burmah** 7 to 474p while talk that the 25 per cent stake held by Burmah may have been sold prompted good support for **Premier** which edged up 3 to 43¼p.

The mining sector provided a number of outstanding features, the best of which was **Greenwich Resources**, currently developing the Gebeit gold mine in the Sudan, which jumped a further 17 to 233p, after a record 224p, reflecting continued optimism following the encouraging statement by the chairman at the recent agm.

Consolidated Gold Fields eased 6 to 781p on profit-taking ahead of today's interim result and following news that the company's bid for American Aggregates Corporation had been sanctioned by the Trade Secretary. **Rio Tinto-Zinc** came under renewed pressure and drifted back a similar amount to 728p.

South African mining markets were overshadowed by developments in currencies. Another strong rise in the financial rand, stimulated by rumours of heavy Japanese demand for the South African currency with a view to investment in South African bond markets, boosted the rand by more than a cent at one point. South African institutions initially held off the gold share market, unsettled by news that the black mineworkers union had demanded a 55 per cent across the board pay rise and an end to the migrant workers system, but later entered the market in a minor way to leave share prices little changed on balance. The Gold Mines index edged up 0.5 to 325.2. Bullion, meanwhile, moved narrowly and settled $1 easier at $404.

Randfontein moved up £1¾ to £61⅛ while other heavyweights to gain ground included "**Amgold**"—reporting preliminary figures tomorrow—added ½ at £52½. **Western Deep** edged up a like amount to £26⅝ and **Vaal Reefs** put on a point to £59⅝.

In South African Financials **De Beers**, a strong market in recent days, suffered from profit-taking and slipped 8 to 655p but persistent support in a thin market boosted "**Johnnies**" £5½ to £83⅛.

Platinum showed **Rustenburg** 6 to the good at a 1986-87 high of 841p, ahead of today's Johannesburg market debut of the Gold Fields group associate Northam Platinum.

A minor setback in overnight domestic markets triggered small selling of the leading Australians. Full-year profits below market expectations upset **CRA**, which dipped 9 to 283p while in Golds **GMK** fell away to close 65 lower at 885p. **Metana** dipped 7 to 380p and **ACM** 12 to 285p. **Pancontinental** dropped 9 to 131p.

The more speculative gold stocks showed minor losses common to **Great Victoria**, 2 off at 80p, **Hill Minerals**, 3 lower at 53p and **Kia Ora**, a like amount cheaper at 41p.

Traded Options

British Gas continued to attract a sizeable interest in the traded options market with 22,928 calls transacted—8,598 in the April 70s' and 13,161 in the April 80s': 3,743 puts were done. **British Airways** were also fairly lively recording 4,842 calls and 1,992 puts, while the overall total amounted to 66,352 deals, comprising 53,748 calls and 12,604 puts.

Traditional Options

- **First dealings** March 2
- **Last dealings** March 13
- **Last declaration** June 11
- **For Settlement** June 22

For rate indications see end of Unit Trust Service

Call options were taken out in **Capital Radio**, **Talbex**, **Humberside**, **Atlantic Resources**, **United Guarantee**, **London Securities**, **British Gas**, **Greenwich Resources**, **Heywood Williams**, **Brent Walker**, **Process Systems**, **Petrocon**, **Martin Ford**, **Mitchell Cotts**, **Dares Estates**, **Amstrad**, **Blacks Leisure**, **Sound Diffusion**, **Avesco**, **Suter**, **Hampton Trust**, **First National Finance**, **Rotaprint**, **Sedgewick**, **Guinness**, **British Benzol**, **Polly Peck**, **Times Veneer**, **Burton**, **Bula Resources**, **Norfolk Capital**, **Southend Stadium**, **Hawthorn Leslie**, **Property Trust**, **Fisons**, **Grampian TV**, **GKN**, **GRA** and **Kalon**. Puts were arranged in **Wellcome**, **Conroy Petroleum**, **Talbex** and **Rotaprint**, while double options were transacted in **Capital Radio** and **Rotaprint**.

FINANCIAL TIMES STOCK INDICES

	Mar. 3	Mar. 2	Feb. 27	Feb. 26	Feb. 25	Year ago	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs	88.21	88.39	87.96	87.62	87.36	86.26	94.51 (18/4/86)	80.39 (20/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.74	93.81	93.52	93.32	93.02	90.32	97.68 (7/7/86)	86.55 (23/1/86)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,613.5	1,604.5	1,599.8	1,601.7	1,584.9	1,281.3	1,613.5 (3/3/87)	1,094.3 (14/1/86)	1,613.5 (3/3/87)	49.4 (26/6/40)
Gold Mines	325.2	324.7	329.8	321.0	316.2	337.5	336.2 (22/9/86)	185.7 (18/7/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.60	3.62	3.62	3.61	3.58	4.13				
Earnings Yld.%(full)	8.42	8.47	8.47	8.31	8.36	9.72				
P/E Ratio (net) (*)	14.55	14.48	14.47	14.76	14.66	12.68				
SEAQ Bargains (5 pm)	46,347	52,617	46,040	50,617	45,554	—				
Equity Turnover (£m)	—	1,390.06	1,498.82	1,891.13	1,566.10	734.25				
Equity Bargains	—	64,869	58,230	65,068	63,189	32,265				
Shares Traded (ml)	—	574.1	585.0	706.3	588.2	354.5				

S.E. ACTIVITY

Indices	Mar. 2	Feb. 27
Gilt Edged Bargains	174.3	175.8
Equity Bargains	420.3	377.3
Equity Value	2809.7	3029.5
5-Day Average		
Gilt Edged Bargains	187.4	185.8
Equity Bargains	402.3	405.5
Equity Value	3129.1	3133.5

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1596.7	1596.0	1592.5	1597.6	1597.0	1598.2	1600.3	1600.8

Day's High 1613.5. Day's Low 1592.1

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=14.01.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986-87

NEW HIGHS (214)

FOREIGN BONDS (1), AMERICANS (1), CANADIANS (2), BANKS (1), BREWERS (5), BUILDINGS (16), CHEMICALS (2), STORES (12), ELECTRICALS (19), ENGINEERING (12), FOODS (10), HOTELS (2), INDUSTRIALS (39), INSURANCE (5), LEISURE (10), MOTORS (6), NEWSPAPERS (3), PAPER (6), PROPERTY (17), SHOES (1), SOUTH AFRICANS (2), TEXTILES (3), TRUSTS (28), OILS (6), PLANTATIONS (1), MINES (4).

NEW LOWS (1)

AMERICANS (1) American T. & T.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	3,400	158	—	Ladbroke	781	450	—
Allied Lyons	2,900	380	+2	Land Securities	1,348	359	+2
Amstrad	3,800	193	−3	Legal & Gen.	1,300	298	−1
Assoc. Brit. Foods	612	348	+1	Lloyds Bank	950	490	+1
BAT	2,700	541	−2	Lonrho	679	282½	+½
BET	256	523	—	MEPC	4,500	346	—
BOC	346	467	−2	Marks & Spncr	6,600	223	+9
BPB Inds	268	661	+5	Midland Bank	1,100	619	+15
BPCC	204	333	−2	NatWest Bank	2,100	596	+2
BTR	1,200	337	+4	Pearson	224	557	−1
Barclays	1,600	517	+3	P & O	661	636	+2
Bass	1,400	923	+11	Pilkington Bros.	1,200	785	−1
Beecham	4,700	543	+1	Plessey	3,100	248	−½
Blue Circle	191	705	−3	Prudential	531	943	+1
Boots	2,600	326	+4	Racal	12,000	246	−1
Brit. Airways	14,930	112	+3	Rank Org.	157	678	+1
Brit. Aero	1,800	685	+32	RHM	1,100	317	+3
Brit. Gas	36,000	82½	+3	Reckitt & Col	165	£10⅞	−⅛
Britoil	8,700	183	+9	Redland	304	473	−1
BP	6,700	775	+17	Reed Intl.	2,100	408	−2
Brit. Telecom	9,400	254	+7	Reuters	236	660	—
Bunzl	240	236	+3	RMC	138	796	+9
Burton	3,500	288	+10	RTZ	1,100	727	−7
Cable & Wire	11,000	361	−11	Rowntree Mac	794	496	+2
Cadbury Schwps	1,100	259	−½	Ryl Bnk of Scotland	318	316	—
Coats Viyella	46	569	−3	Royal Insurance	2,000	£10½	−⅛
Comm. Union	2,500	340	−4	STC	26,000	277	+35
Cons. Gold	437	782	−5	Saatchi & Saatchi	1,300	890	+22
Cookson	1,000	569	+1	Sainsbury	948	484	+3
Courtaulds	807	414	−1	Scott & Newcastle	1,700	247	+2
Dee Corpn	2,700	253	−2	Sears	16,000	144½	+6
Dixons Grp	1,100	394	+6	Sedgwick	481	325	−3
English China Clays	246	406	−3	Shell Trans	6,000	£10¾	+⅛
Fisons	2,700	626	−16	Smith & Nephew	1,900	162	−1
Gen. Accident	496	£10⅝	+¼	Standard Chart	78	764	+2
Gen. Elect.	7,500	230	−1	Storehouse	3,550	295	+8
Glaxo	2,400	£15¾	+1/16	Sun Alliance	377	796	−6
Globe Investment	307	151	−½	TSB	2,400	78½	—
Granada	800	346	+5	Tarmac	737	535	−5
Grand Met	2,950	515	+6	Tesco	932	480	+3
Gus "A"	625	£12 13/16	+3/16	Thorn EMI	4,600	641	+22
Guardian R.E.	347	957	+4	Trafalgar House	1,000	325	−2
GKN	4,800	343	−3	T'hose Forte	1,100	213	—
Guinness	5,000	326	−2	Unigate	418	393	+1
Hammerson Prop	—	470	−5	Unilever	1,050	£26⅝	+1⅛
Hanson Trust	11,000	166½	+2	United Biscuits	730	280	+1
Hawker Sidd	606	535	+8	Wellcome	6,300	440	−22
Hillsdown Hlgs	1,800	298	+5	Whitbread 'A'	2,100	325	+5
ICI	2,800	£13 11/16	—	Willis Faber	80	440	−2
Imp. Cont. Gas	1,00	710	−8	Woolworth	276	765	+7
Jaguar	2,000	615	−10				

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	30	60	23
Corporations, Dominion and Foreign Bonds	18	4	47
Industrials	483	528	524
Financial and Properties	175	135	275
Oils	37	27	48
Plantations	2	5	7
Mines	47	63	71
Others	57	80	51
Totals	849	902	1,046

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

FIXED INTEREST

LONDON TRADED OPTIONS

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

WORLD STOCK MARKETS

AUSTRIA | GERMANY | NORWAY | AUSTRALIA (continued) | JAPAN (continued)

BELGIUM/LUXEMBOURG | SPAIN | HONG KONG | SWEDEN | DENMARK | ITALY | SWITZERLAND | FINLAND | FRANCE | NETHERLANDS | AUSTRALIA | JAPAN | SINGAPORE | SOUTH AFRICA

CANADA

TORONTO
Closing prices March 3

MONTREAL
Closing prices March 3

Indices

NEW YORK—DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

TORONTO

NYSE-Consolidated 1500 Actives

Advances 577 Declines 639

TOKYO – Most Active Stocks
Tuesday, March 3, 1987

	Stocks Traded	Closing Price	Change on Day
Sumitomo Metal Ind.	93.96m	289	−12
Mitsubishi Heavy Ind	93.95m	558	unch
Nippon Yusen	55.57m	812	+ 2
Nippon Steel	52.73m	286	− 9
Ishikawa Har Hvy Ind	23.19m	487	−12
Kobe Steel	22.23m	290	unch
Mitsubishi Electric	21.24m	599	+ 5
Sanyo-Kokusaku Pulp	17.12m	558	− 6
Mitsui Toatsu Chem	16.89m	615	−26
Taisei Corp	15.89m	1,918	−50

LONDON – Most Active Stocks
Tuesday, March 3, 1987

	Stocks Traded	Closing Price	Change on Day
Brit. Gas	36.0m	82½	+ 3
STC	16.8m	277	+35
Sears	16.8m	144½	+ 6
Brit Airways	14.8m	112	+ 3
Racal	12.8m	246	− 1
Cable & Wire	11.0m	361	−11
Hanson Tr.	11.8m	168½	+ 2
Brit Telecom	9.4m	254	+ 7
Britoil	8.7m	183	+ 9
Gen Elect	7.5m	238	− 1

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 39

Saft acquires Alcad in international drive

BY PAUL BETTS IN PARIS

SAFT, the industrial batteries and accumulators subsidiary of the French nationalised Compagnie Générale d'Electricité (CGE) group, has acquired Alcad, a long-established UK storage battery maker, as part of the French company's on-going efforts to build up a leading international presence in the nickel-cadmium battery market.

The UK acquisition follows a series of international deals in the nickel-cadmium sector by Saft including a joint venture in Japan with Japan Storage Battery and the acquisition of the Gould portable battery business in the US.

Saft said yesterday that Alcad, with annual sales of $26m last year, ranked with the French company as the world's second-largest producer of pocket-plate nickel-cadmium storage batteries for industrial and railway use. Mr Georges-Christian Chazot, Saft chairman, said the Alcad acquisition would double Saft's world market share in the sector from 15 per cent to 30 per cent.

Although Mr Chazot would not disclose the price paid for Alcad, he said its net assets totalled $13m. Alcad's pre-tax earnings last year totalled $800,000 and cash flow totalled $1.9m.

Saft will be taking over Alcad's manufacturing plant at Redditch near Birmingham which employs 550 people. The acquisition will increase Saft's UK workforce to about 900. The French group owns two plants in the UK at Hampton, Middlesex, and Lancing, West Sussex.

Alcad also has a commercial subsidiary in the US based in Waco, Texas, which will be taken over by Saft.

LONDON Chief price changes (in pence unless otherwise indicated)

RISES

Blag Inds.	170	+18
Brit. Aeros	685	+32
BP	775	+17
Britoil	183	+ 9
Coloroll	331	+17
Crystalate	291	+15
Enter Oil	204	+ 9
Fed. Housing	208	+18
Floyd Oil	55	+ 7
Greenw Res.	224	+18
Har Queensway	211	+ 9
Lister	197	+10
LASMO	190	+ 7
Marks & Spcr	223	+ 9
Midland Bk	619	+15
Mitch Somers	180	+30
Neill (J.)	243	+10
STC	277	+35
Saat & Saat	890	+22
Sears	144½	+ 6
Sinclair (Wm.)	245	+15
Tiphook	365	+30
Ultramar	182	+16

FALLS:

Cbl & Wirel	361	−11
Dares Ests	28	− 3
Fisons	626	−16
Marl Ests	900	−100
Rosehaugh	705	−25
Underwoods	218	−23
Wellcome	440	−22

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
30⅞	19⅛	AAR s	.50	1.5	23	394	u33	30½	32⅜	+1⅝
34	21⅞	ADT	.92	2.9	18	326	32	31⅝	31⅞	−⅛
38½	20¾	AFG s	.12e	.3	11	248	36⅝	36⅜	36⅝	−⅛
37	16¾	AGS			22	177	36¾	36¼	36¾	+⅜
15	6¾	AMCA				4	8⅝	8¼	8⅝	
9	4⅞	AM Intl				1389	8⅞	8¾	8⅞	
62⅞	47¼	AMR			13	4127	60¼	58⅝	59⅝	−⅛
24¾	20½	ANR pf2.12		8.8		9	24⅜	24	24	−⅜
13⅛	8	ARX s			13	82	11⅛	10¾	11	
44	28¾	ASA	2a	4.4		1412	u45¼	43⅛	45	+1⅞
17⅝	9¾	AVX		2.0		335	16	15¾	15¾	−⅛
32	26½	AZP	2.72	8.5	11	4272	u32¾	31¼	32⅛	+⅜
62⅝	35⅛	AbtLb s .84		1.4	28	3091	61½	60½	61¼	+¾
34	25	AccoWd.62		1.9	21	32	32⅝	32¼	32½	−⅛
14⅛	9	AcmeC .40		3.0	24	123	13¼	13	13⅛	+⅛
9⅛	6⅛	AcmeE.32b		4.5	25	42	7⅛	6⅞	7⅛	+⅛
23⅞	18¼	AdaEx 3.42e		16.		146	22¼	21⅞	21⅞	−⅛
18⅝	11⅜	AdmM s .24		1.3	14	151	18	17⅞	17⅞	
20⅞	12⅛	AdvSys.62t		3.1	16	66	19¾	19½	19¾	+⅛
32¾	12⅞	AMD				7847	21⅜	20	20⅝	−½
10⅝	5¼	Adobe				379	8⅞	8⅝	8⅞	+⅛
20	13¾	Adob pf1.84		9.3		5	19¾	19½	19¾	+¼
21⅞	16⅝	Adob pf2.40		11.		7	21⅜	21⅛	21⅜	
18⅝	11½	Advest .12a		.9	10	322	13	12⅝	12¾	−⅛
68¼	53	AetnLf 2.76		4.2	11	7399	66¾	65⅞	66	−1
[illegible]										

Continued on Page 39

NYSE COMPOSITE CLOSING PRICES

Continued from Page 38

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
124	112¼	PhE	pfM15.25	13.		210	118½	118½	118½	−¾
103	82½	PhE	pfK9.50	9.4		z3710	101	101	101	−1½
88	68⅞	PhE	pfJ7.80	9.1		z250	087	85½	85½	−⅞
84½	68	PhE	pfI7.75	9.3		z80	83¼	83¼	83¼	−¾
19¼	12⅜	PhlSub	s .94	5.3	14	5	17⅝	17⅝	17⅝	−⅛
91¼	51⅛	PhilMr	s 3	3.6	14	6347	85	83⅞	84⅝	−⅝
22	13	PhilpI	s .36	1.7	18	447	21⅜	20⅝	20¾	−½
14⅛	8¼	PhlPet	.60	4.5	15	6142	13⅜	12⅞	13¼	+¼
24½	19¼	PhlPt	pf1.87e	7.7		9	24¼	24¼	24¼	
45⅞	33⅛	PhlVH	.40	.9	15	67	45½	42⅞	43¼	−½
12⅞	8⅛	Phlcorp	n		149	9	d.	8½	8⅝	−⅜
70⅝	36¾	PiedAv	.32	.5	20	1868	70⅝	69⅞	70⅝	
70½	40½	PiedA	pf			663	70⅛	70	70	
24¼	17	PieNG	s1.32	5.7	12	95	23⅜	23	23¼	−⅛
19¼	9⅝	Pier 1	s .08	.4	33	458	18⅞	18¼	18⅝	−⅛
11¼	7½	PilgRg	.17e	1.8		489	9½	9⅛	9¼	
15⅜	9¼	PilgPr	n.02e	.1	14	311	13⅞	13½	13¾	−⅛
45⅞	32⅜	Pilsby	s		18	2467	44⅛	42¾	43	−½
33½	19⅛	PionrEL	.15e	.4		6	30¼	30¼	30¼	−¼
43½	28	PitnyB	s .76	1.9	19	1009	40¾	40⅛	40½	
15⅞	10½	Pittstn			50	1399	13⅛	13⅛	13⅛	+½
32	16¾	Plains	n		78	140	31½	30	31	+1
24	14¾	Plastm	.16	.7	20	126	22¼	22¼	22¼	
10⅝	5⅞	Playboy				63	10⅛	10	10	

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23¾	18⅛	Wynns	.60	2.9	12	x20	20¾	20½	20½	−¼
74½	48⅝	Xerox	3	4.2	19	4292	71⅞	70⅞	71¼	+½
56¼	55	Xerox	pf5.45	9.8		73	55½	55⅜	55⅜	
28¾	21½	XTRA	.64	2.3		235	27⅞	27⅝	27⅝	−⅛
20¼	13½	Yorkin	n		23	328	20⅛	19⅞	19⅞	
5	2¼	Zapata				221	3⅝	3⅜	3⅝	+⅛
43⅞	20¾	Zayre	s .32	1.1	20	1858	29⅜	28⅝	28⅞	−⅜
17	8¾	Zemex	.40	3.3	8	9	12¼	12	12	−¼
29⅞	16⅞	ZenithE				361	23⅛	22⅞	23	−⅛
18¼	8	ZenLb	s		71	1575	11½	11⅛	11⅜	−⅛
23⅝	12⅝	Zero	.36	2.0	19	49	18⅜	18⅛	18⅛	−¼
50⅞	32¾	Zurnin	1.32	2.6	20	168	50¼	50	50	−¼
10⅝	8⅛	Zweig	n.10e	1.1		1132	9⅝	9⅜	9½	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Sales (Hds)	High	Low	Last	Chng
[illegible]					

Continued on Page 37

FINANCIAL TIMES
WORLD STOCK MARKETS

AMERICA

Oils escape doubts raised by indicators

WALL STREET

WITH THE exception of oils which showed some sizeable gains, Wall Street drifted in light trading, *writes Roderick Oram in New York.*

One factor was the unexpectedly large fall in the index of leading economic indicators in January which raised doubts about the earnings potential of many stocks. The downturn's favourable impact on the bond market was blunted by traders' profit-taking which pushed down bond prices.

The Dow Jones industrial average closed up 6.05 points at 2,226.52. Wider blue chip indices showed similar gains with the Standard & Poor's 500 adding 1.12 to 284.12 and the New York Stock Exchange composite index adding 0.58 to 162.16.

But secondary and tertiary stocks were weaker with the American Stock Exchange composite adding only 0.59 to 322.34 and the over-the-counter composite index easing down 0.35 to 423.56.

NYSE volume was moderate at 149.2m indicating that institutional investors were sitting on the sidelines to some extent. Advancing issues barely outnumbered those declining.

Among blue chips, Anheuser Busch dropped $½ to $32¾, Coca-Cola edged up $⅛ to $45⅛, Du Pont added $⅛ to $100⅞, General Motors rose $⅝ to $75⅝, McDonald's edged down $⅛ to $75⅜ and IBM was off $⅜ to $138¼.

Oils were one of the few strong sectors yesterday as they recouped some of their recent losses on the back of sharply higher crude oil prices. Exxon rose $1½ to $80⅝, Chevron gained $1⅛ to $50, Texaco advanced $¾ to $34, Atlantic Richfield put on $2⅝ to $88¼, Amoco was ahead $1⅝ to $72⅜ and Standard Oil was up $1⅜ to $56¼.

Boeing rose $⅜ to $53⅞. It announced the sale of 15 aircraft to American Airlines which slipped $⅛ to $59⅞. General Electric, which will supply engines for the 15 Boeing aircraft and 25 Airbus aircraft ordered simultaneously by American, dipped $⅛ to $103⅞.

Airline stocks were weaker generally with Allegis, parent of United, unchanged at $54¾, Delta Air Lines down $⅝ to $63⅝, NWA off $1 to $70¼ and Texas Air off $⅜ to $47 on the American exchange.

Woolworth fell $½ to $48⅞ after reporting fourth-quarter earnings of $1.78 a share against $1.64 a year earlier. Other retailers were mixed. Sears Roebuck added $⅜ to $53, J.C. Penney fell $⅜ to $94, Dayton Hudson rose $⅛ to $43⅞, Federated Department Stores was unchanged at $94⅜ and K mart fell $⅜ to $56½.

Ashton-Tate lost $¾ to $26½ on fourth-quarter profits of 43 cents against 30 cents. Microsoft, the other leading computer software producer in the over-the-counter market, was unchanged at $74½.

Pillsbury slipped $½ to $43 despite announcing the buyback of 800,000 shares. The food sector followed no particular trend yesterday. Kraft edged down $⅛ to $56¼, Campbell Soup added $⅜ to $63¼, General Host fell $⅛ to $13¾, and RJR Nabisco was unchanged at $59⅞. Heinz, which denied rumours that it was considering a bid for Guinness, the UK drinks group, added $⅜ to $46⅞.

On the takeover and restructuring front, American Express, off $1⅞ to $75⅞, gave up part of the recent gains it had made on rumours it would sell a minority stake in its Shearson Lehman securities subsidiary.

Viacom rose $1½ to $51⅞ as two bidders continued to vie to take it over.

In the credit markets, bond prices fell back despite the fall in the leading economic indicators. Normally such an indication of slower growth and lower interest rates might have prompted bond buying but yesterday it appeared that some traders tried to make quick profits by using the good news as an opportunity to sell.

The price of the 7.50 per cent benchmark Treasury long bond fell ⅜ of a point to 100 9/16 yielding 7.48 per cent. Shorter maturities were down by similar degrees.

The Fed Funds rate at which banks lend reserves to one another remained firm at 6¼ per cent but eased back to 6 per cent after the Fed did $1.5bn of customer repurchases.

The 1 per cent decline in the index was double the fall expected but coming after two months of strong rises the quarterly average is a modest 0.7 per cent rise which does not yet signal a weakening trend in the economy.

The first of February's statistics are released this week with factory goods orders today and employment figures on Friday. A decline of about 5 per cent is expected in the orders and a rise of around 175,000 in the number of people working.

CANADA

AFTER a mixed start, Toronto share prices moved ahead in active trading, helped again by resource stocks.

Among leading actives, Canadian Pacific was up C$¼ to C$22¼, Pacific Western Airlines gained C$⅜ to C$24⅞ and Bell Canada added C$⅛ to C$41⅞.

Royal Bank of Canada, which reported lower first-quarter profits, lost C$⅜ to C$33⅞.

Higher gold shares were led by Lac Minerals, C$1⅛ ahead at C$37⅞, after the company reported a significant gold find at the Quebec Doyon mine of which it owns half.

Active oils were higher, including Dome Petroleum, up 6 cents to C$1.07, and Ranter Oil, C$⅛ ahead at C$5⅞.

Industrials were the only weak sector in a firmer Montreal.

Sara Webb in Stockholm reports on suspicions of insider trading

New shadow over Fermenta

SWEDEN'S Bank Inspection Board is investigating former members of the board of Fermenta, the deeply-troubled Swedish chemicals and antibiotics group, for possible breaches of insider trading regulations.

Nine former board members have been approached by the board and asked why certain share trades had not been reported.

According to the insider trading regulations, members of the board and members of their families must report share trades above a certain level to the board within a fortnight.

Mr Gosta Bystedt, executive deputy chairman of Electrolux who was chairman of Fermenta from 1984 until October 1986, and Mr Ove Sundberg, managing director of Fermenta from February until October last year, have both been asked to give details of their share trades.

Mr Bystedt said the board had asked him about his trading in Fermenta shares. He maintains he has not traded his Fermenta shares for two years and that the inquiry arises from an error in the share register.

Mr Sundberg says he does not hold any Fermenta shares.

In a further development of the Fermenta saga, the court has ruled that Mr Refaat El-Sayed, who was once the driving force behind the company, must pay Gotabanken SKr 538m ($82m) by March 12.

Gotabanken, Sweden's fourth largest publicly-quoted bank, claims that Mr El-Sayed owes it SKr 570m. The bank has had to make heavy provisions against loans to Mr El-Sayed and Fermenta.

EUROPE

Paris and Brussels remain on high note

THE FRENCH bourse steamed ahead to its third consecutive record yesterday in predominantly quiet and mixed trading in Europe.

Paris once again shrugged off gloomy economic prospects, this time from the annual OECD review, as domestic investors continued to move surplus cash into the market and foreign buying remained strong.

The CAC General index gained 3.2 to a high of 438.4 in active trading after reaching peaks on Friday and Monday on hopes of lower domestic interest rates. Small amounts of profit-taking were absorbed in the rise.

Food stock BSN Gervais scored one of the largest advances, with FFr 150 rise to FFr 4,890, while L'Oreal added FFr 118 to FFr 4.108.

Among constructions, Bouygues was up FFr 36 to FFr 1.355 and Dumez put on FFr 30 to FFr 2,120, while Lafarge was steady at FFr 1,498.

Banks were easier

Brussels also moved further into record territory on support from the new pension savings scheme and interest in blue chips seen by investors as undervalued. The Brussels stock exchange index added 12.27 to 4,214.38, a new high, but trading activity was modest.

Industrial holding company Gevaert, which is seeking a stake in Contibel, the Belgian investments of IC Gas of the UK, advanced BFr 110 to BFr 6,460 for a two-day gain of BFr 200.

Metals group Hoboken, in contrast, dropped BFr 600 to BFr 6,600 on short-term forecasts of sluggish business.

Mixed financial holdings saw Sofina up BFr 75 to BFr 12,925.

Frankfurt picked up a little in a second day of quiet trading amid carnival festivities. The dollar's firmer tone aided the technical reaction to recent losses and the Commerzbank index edged up 2.2 to 1,713.9 from its last calculated level on Friday.

Car stocks benefited from the dollar's rise, attracting overseas buying. VW added DM 6 to DM 357.50, BMW DM 8 to DM 485 and Daimler DM 16 to DM 968.50 despite the threat to production from a planned union overtime ban. Tyremaker Conti Gummi was up DM 3 to DM 306.70.

Banks were mixed in the continuing uncertainty over the Brazilian debt problem. Deutsche Bank and Dresdner both eased 50 Pfg to DM 638.50 and DM 329 respectively while Commerzbank gained DM 1 to DM 249.50.

Construction group Holzmann, whose sales fell in 1986, lost DM 2 to DM 476.

Bonds were slightly higher in light trading. The Bundesbank sold DM 101.1m after selling DM 200.6m on Monday.

Amsterdam was mixed to lower in thin holiday trading dominated by Unilever's increase in 1986 profits. Its price finished Fl 1.50 higher at Fl 522.50 after falling earlier. The result was below market expectations in guilder terms but the one-for-five share split was seen as facilitating trade in the stock.

Zurich was lower again as overseas investors continued to take profits out of the Swiss franc zone. Banks and insurers were once more the main victims,

Milan fell in quiet, nervous trading in advance of Prime Minister Bettino Craxi's resignation.

Madrid fell back on profit-taking.

Stockholm was mixed with Pharmacia, whose profits rose in 1986, losing SKr 1 to SKr 234, while Oslo was quietly easier.

LONDON PEAKS

MORE PEAKS were scaled in London as a strong rally in oils fueled sentiment and the FT-SE 100 closed just below the 2,000 level with a 15.2 jump to a record 1,998.3 after an early 15 point fall. The narrower FT ordinary index added 9.0 to 1,613.5, also a new high.

Blue-chip exporters benefited from a late dip in sterling while the broader market continued to look for early cuts in UK tax and interest rates – despite the Bank of England's discouragement of such speculation.

Gilts were busy on domestic support which triggered a spirited mid-session rally although closing quotes were slightly easier. Page 36

SOUTH AFRICA

ANOTHER fall in the financial rand brought fresh selling by foreign investors and sent Johannesburg gold and mining shares down on a broad front.

Randfontein lost R8 to R359 after dropping to R353 at one stage, Driefontein was R6.25 lower at R65.25 and Buffelsfontein shed R1.50 to R71.50.

Among mining financials, Anglo American lost R1 to R64.50, while Gold Fields of South Africa dropped R5.25, or nearly 9 per cent, to R56.50.

Other mining issues to fall included De Beers, off R1.25 to R38, and Rustenburg Platinum, down R3.98 to R47.62.

Industrials were mixed, with Barlow Rand 40 cents easier at R19.65 on currency worries.

ASIA

Nikkei and Hang Seng push ahead to records

TOKYO

STRONG DEMAND for large-capital and consumer-related issues underpinned the third consecutive record in Tokyo trading yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average closed 37.57 up at a record 20,971.39 after surging to over 21,000 at one stage. Volume amounted to 1.11bn shares, almost the same as the previous day's 1.19. Advances led declines by 474 to 411, with 131 issues unchanged.

The market opened higher in an extension of the recent firmness. But late weakness led some big securities company officials to forecast that the market could be in for a correction soon, with stocks already hitting all-time highs.

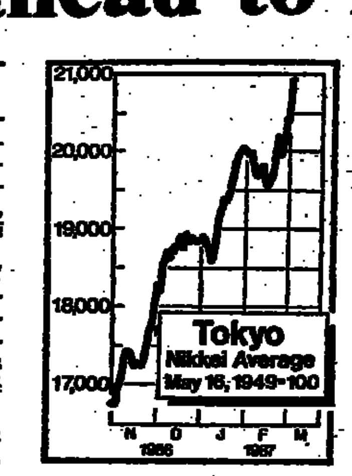
The lacklustre performance of large-capitals prompted speculators to seek Nippon Telegraph and Telephone (NTT) shares. NTT soared Y110.000 to a record Y2.8m on a volume of 47,826 shares, up from Monday's 31,383.

With major issues slipping, some oils and gold mines strengthened on speculative buying. Arabian Oil soared Y450 to Y6,900 and Suitomo Metal Mining Y40 to Y1,230.

The popularity of large-capital steels and shipbuildings lost further momentum. Although the issues continued to account for the bulk of trading activity. Suitomo Metal Industries topped the active list, with 93.96m shares changing hands, and firmed Y3 to Y200, and Mitsubishi Heavy Industries, second busiest with 93.95m shares, ended unchanged at Y550.

But Nippon Steel, which had been market leader in recent weeks, shed Y19 to Y265, with the turnover plunging sharply to 52.74m shares. Ishikawajima-Harima Heavy Industries and Kobe Steel slumped Y12 each to Y467 and Y290.

Big contractors turned down almost across the board after having been favoured the previous day on expectations for heavier government spending. Taisei Corp. dropped Y50 to Y1,010, Ohbayashi Corp. Y70 to Y1,020 and Shimizu Construction Y30 to Y1,010.



Blue-chips eased on small-lot selling, despite the yen's weakness.

Aids-related stocks turned lower across a wide front. Ajinomoto, a recent popular, plunged Y80 to Y3,270, Teijin Y25 to Y765, Takeda Chemical Y50 to Y3,020 and Daiichi Seiyaku Y130 to Y3,260. Large chemicals also drifted lower, with Mitsui Toatsu Chemicals decreasing Y25 to Y515 and Sumitomo Chemicals Y33 to Y707.

Financials held firm, with Tokio Marine and Fire Insurance putting on Y30 to Y2,170 and Nomura Securities Y20 to Y4,700.

Tokyo Electric Power surged Y150 to Y8,590, stimulated by the firmness of NTT.

Bonds firmed, aided by the strong performance of government bond futures. The yield on the 5.1 per cent government bond due in June 1996 closed at 4.720 per cent in block trading on the Tokyo Stock Exchange after rising to 4.755 per cent at one stage.

The yield later fell another 0.03 point in over-the-counter trading.

HONG KONG

ANOTHER RECORD was achieved in Hong Kong with the Hang Seng index surging 44.79 points to 2,939.05, a fresh peak, as overseas demand blossomed following the strong earnings and reorganisation plans outlined within the Cheung Kong group late on Monday.

Cheung Kong, HK Electric and Hutchison did not resume trading so most of the activity focused on property and banking issues.

Swire Pacific A gained 60 cents to HK$22.90 and Jardine Matheson picked up 40 cents to HK$24.80 although Honkong Land dipped 5 cents to HK$8.25 and SHK Properties was 30 cents cheaper at HK$24. Honkong Bank traded 10 cents firmer at HK$10.80 while Hang Seng was 50 cents up at HK$47.50.

AUSTRALIA

INDUSTRIAL and resource issues suffered from heavy profit-taking in Sydney and forced the All Ordinaries index 7.0 points from its Monday peak to close at 1,615.6 after briefly touching a record in morning trading.

Lend Lease continued to find buyers with a 10 cent rise to A$12.50 as did Airship Industries 3 cents higher at 70 cents on turnover of 1.9m shares.

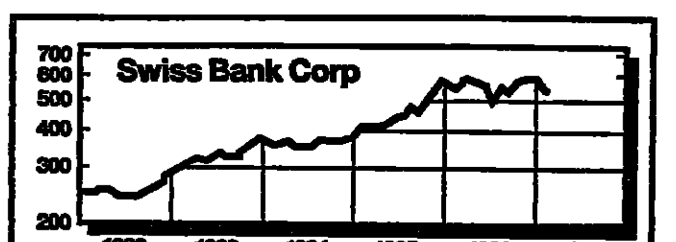
Sydney Oil was the most active on 3m shares and held steady at 23 cents

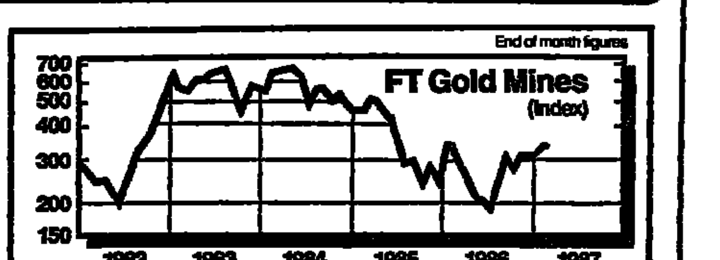
SINGAPORE

A LATE RALLY failed to halt the slide in Singapore as investors liquidated positions ahead of today's budget. The Straits Times industrial index was 5.95 lower at 1,060.38. Turnover fell to 41m shares from Monday's 45.3m.

Paper Products, suspended since early February, returned to trade 4 cents higher to 40½ cents

KEY MARKET MONITORS





STOCK MARKET INDICES

	Mar 3	Previous	Year ago
NEW YORK			
DJ Industrials	2,226.52	2,220.47	1,696.67
DJ Transport	940.77	940.04	789.62
DJ Utilities	218.39	216.72	164.29
S&P Comp.	284.12	283.00	225.42
LONDON FT			
Ord	1,613.5	1,604.5	1,281.2
SE 100	1,998.3	1,983.1	1,534.9
A All-share	992.61	986.25	752.48
A 500	1,107.22	1,098.50	827.82
Gold mines	325.2	324.7	337.5
A Long gilt	9.51	9.31	9.94
TOKYO			
Nikkei	20971.39	20933.82	13757.6
Tokyo SE	1821.37	1805.61	1099.69
AUSTRALIA			
All Ord.	1,615.6	1,622.9	1,053.2
Metals & Mins.	788.9	788.0	513.0
AUSTRIA			
Credit Aktien	205.50	206.05	227.10
BELGIAN SE			
	4,214.38	4,202.11	3,269.32
CANADA			
Toronto			
Met.& Mins.	2,464.4	2,456.0	2,241.0
Composite	3,533.2	3,510.1	2,886.6
Montreal			
Portfolio	1,768.08	1,755.57	1,457.09
DENMARK SE			
	201.92	–	234.31
FRANCE			
CAC Gen	436.40	435.20	303.0
Ind. Tendance	111.00	110.30	72.2
WEST GERMANY			
FAZ-Aktien	n/a	570.68	636.55
Commerzbank	1,713.90	n/a	1,921.4

	March 3	Previous	Year ago
HONG KONG Hang Seng	2,939.05	2,894.26	1,695.06
ITALY Banca Comm.	673.60	679.37	571.11
NETHERLANDS ANP CBS			
Gen	282.60	284.30	240.4
Ind	249.30	251.10	234.0
NORWAY Oslo SE	365.86	365.46	357.76
SINGAPORE Straits Times	1,063.90	1,068.30	624.57
SOUTH AFRICA JSE			
Golds	—	n/a	1,203.3
Industrials	—	n/a	1,148.5
SPAIN Madrid SE	.	253.91	135.04
SWEDEN J & P	2,447.43	2,466.22	1,851.66
SWITZERLAND Swiss Bank Ind	567.90	564.90	557.8
WORLD MS Cap. Int'l March 2	412.8	410.6	281.4

COMMODITIES (London)

	March 3	Prev
Silver (spot)	348.45p	348.55p
Copper (cash)	£903.00	£895.50
Coffee (March)	£1,314.00	£1,498.00
Oil (Brent)	$16.60	$15.925

GOLD ($/oz)

	March 3	Prev
London	$404.00	$405.00
Zürich	$403.65	$404.55
Paris (fixing)	$404.46	$405.15
Luxembourg	$404.25	$407.00
New York (April)	$409.10	$405.60

CURRENCIES (London)

	US DOLLAR Mar 3	US DOLLAR Previous	STERLING Mar 3	STERLING Previous
$	–	–	1.5600	1.5640
DM	1.8335	1.8320	2.86	2.865
Yen	153.65	153.45	239.75	240.0
FFr	6.1025	6.095	9.52	9.5325
SFr	1.5440	1.5415	2.4075	2.41
Fl	2.0700	2.0630	3.23	3.2275
Lira	1,303.0	1,302.0	2,032.50	2,036.5
BFr	37.95	37.90	59.20	59.25
C$	1.3330	1.3315	2.0800	2.0835

INTEREST RATES

	Mar 3	Prev
Euro-currencies (3-month offered rate)		
£	10[illegible]	10[illegible]
SFr	4	3⅞
DM	4 1/16	3 15/16
FFr	8⅜	8⅜
FT London Interbank fixing (offered rate)		
3-month US$	6[illegible]	6[illegible]
6-month US$	6[illegible]	6[illegible]
US Fed Funds	6¼*	6[illegible]
US 3-month CDs	5.95*	6.375
US 3-month T-bills	5.625*	5.83

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
March	101–19	101–23	101–15	101–26
US Treasury Bills (IMM) $1m points of 100%				
March	94.45	94.49	94.44	94.48
Certificates of Deposit (IMM) $1m points of 100%				
March	–	–	–	93.97
LONDON				
Three-month Eurodollar $1m points of 100%				
March	93.61	93.62	93.59	93.61
20-year National Gilt £50,000 32nds of 100%				
March	119–18	119–20	119–14	119–19

US BONDS

Treasury	March 3* Price	March 3* Yield	Prev Price	Prev Yield
6% 1989	99[illegible]	6.368	99[illegible]	6.317
7¼ 1993	100[illegible]	6.983	100[illegible]	6.943
7¼ 1996	100[illegible]	7.187	100[illegible]	7.142
7½ 2016	100[illegible]	7.481	100[illegible]	7.442

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	March 3 Return index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	–0.03
1–10	154.63	+0.12	6.66	–0.03
1– 3	144.03	+0.07	6.37	–0.03
3– 5	157.57	+0.17	6.71	–0.03
15–30	193.58	+0.59	7.78	–0.03

Source: Merrill Lynch

Corporate

	March 3* Price	March 3* Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	93.42	6.10	93.64	6.05
SCBT South Central 10⅞ Jan 1993	105.25	9.71	105.375	9.68
Phibro Sal 8 April 1996	99.75	8.04	100.0	8.00
TRW 8⅞ March 1996	103.50	8.19	103.75	8.17
Arco 9⅞ March 2016	113.875	8.61	113.50	8.60
General Motors 8⅛ April 2016	95.00	8.60	95.375	8.56
Citicorp 9⅜ March 2016	101.00	9.28	101.75	9.20

Source: Salomon Brothers

* Latest available figures

هكذا من الأصل